The Insurance of Libraries

Dorothea M. Singer

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the insurance of libraries

a manual for librarians

preface

This manual has been written for the use of administrators and trustees as well as for the librarians of every kind of institution which owns a book collection. Though general information on insurance is available in many excellent textbooks, the treatment is often more technical and detailed than the layman finds necessary for his purpose. Scattered articles on library insurance have appeared in professional library periodicals, but this manual represents the first attempt to present a complete discussion of a library's insurance problems.

The Insurance committees of the American Library Association have for a number of years tried to make librarians more insurance conscious and have thus prepared the ground for this publication. The cooperation of many librarians, who supplied data on the insurance coverage and problems of their libraries, was of great assistance in this undertaking.

The author is indebted to many individuals whose assistance is gratefully acknowledged. Professor John S. Cleavinger, Associate Professor of the School of Library Service at Columbia University, has been most kind in encouraging the author in her undertaking. Mr. Donald K. Campbell, Librarian of the Haverhill, Massachusetts Public Library and Chairman of the Insurance Committee, was instrumental in getting the project under way, and he and Mr. James E. Bryan, Assistant Director of the Newark Public Library, have given many valuable suggestions. Much of the reference material used was provided by Miss Mabel B. Swerig, Librarian of the Insurance Society of New York, whose educational director, Mr. Arthur C. Goerlich, has been very helpful in arranging interviews with insurance underwriters, adjusters, and members of prominent brokerage houses. Mr. Lynn P. Marsh, Associate State Agent of the Home Insurance Company for Massachusetts, was kind enough to read the manuscript. Special thanks are due Miss

Nancy Nimitz of the Public Library of the District of Columbia for reading the manuscript in its various stages and improving its readability, and to my husband, E. Robert Singer, whose experience in the field was always at my disposal.

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1. *general principles and procedures*

1. *introduction*

The accumulation of wealth represented by libraries all over the United States is considerable, yet only a small part of this wealth is adequately protected by insurance. Although libraries have suffered frequent losses from various causes, many are still seriously underinsured or neglect insurance protection completely.

The failure on the part of many library administrators to make any provision for resuming services within a reasonable period after a serious loss is due mainly to the fact that insurance appears to be too technical a subject to be easily understood. Technical details, however, can be left to the library's insurance adviser if the librarian is willing to familiarize himself with general principles of insurance and some of its fundamental rules. Such a preparation will enable him to select suitable types of protection for his library with the assistance of his insurance adviser.

The aim of this short manual is to present to the library administrator a survey of library insurance and to point out the various kinds of loss for which insurance can be provided. It should be understood that the information given is confined to the most important principles, and that the individual kinds of protection discussed are but a selection of representative types of insurance coverages. Some will not be applicable in every case, as laws and regulations vary widely from state to state and change frequently. Moreover, since no two set-ups are exactly alike, each administrator will have to choose the type of insurance best fitted to the peculiar needs of his institution.

2. *attitudes toward library insurance*

Several points of view can be distinguished among prevailing attitudes toward library insurance. Some library administrators do not believe in insurance but prefer to safeguard their libraries by other means as well as they can. Some are not concerned with library insurance because they have little or no control over it. Others are genuinely interested in obtaining the best type of insurance protection for their libraries.

no insurance

The reasons most often expressed against library insurance are:

Nothing much ever happens to libraries.

Books do not burn easily; even if a fire should start, it would spread very slowly.

Books—unless of special value and carelessly guarded—are rarely stolen.

Library buildings are well kept, and liability or other claims seldom arise.

Are these arguments valid? They are some of the reasons for the prevailing low rates for library insurance as compared with those for many other kinds of establishments and goods. They are, however, not valid arguments for not insuring libraries at all.

If we knew in advance what was going to happen to us in the course of years, we would act accordingly. Since it is not humanly possible to know the future, we try to provide against situations which might adversely affect us. This is where insurance enters. Its function is to help us meet unforeseen losses by restoring as nearly as possible the *status quo.* Insurance is not a means of making a profit out of disaster, but is rather a guaranty of *indemnity* for financial losses.

As long as we know that a loss can happen, we must assume the

responsibility of preparing for it. Even the best-built, the most carefully protected library can suffer loss or damage through a disaster which is neither preventable nor controllable. Valuable donated collections often could not be replaced, were they not protected by insurance. Without insurance, it would usually not be possible to compensate employees for severe accidents.

Each library has its own insurance problems. These problems must be faced, the specific situation carefully surveyed, and provision made for emergencies. This is a great responsibility, and it rests squarely on the library administration. Library service is important to the community, and the library must be in a position to restore service to the same level as before a disaster, and within the shortest possible time.

An attitude of complacency is dangerous. Library budgets do not permit extraordinary expenditures such as would result from uninsured losses; special appropriations, involving new taxes or bond issues, might be necessary to cover such losses, and the taxpaying public might be extremely critical of such measures. A responsible library administration must provide beforehand for emergencies because it cannot afford to be caught unprepared.

sinking funds — self insurance

A number of municipalities prefer assuming their own risks to taking out insurance with private companies. This practice may take various forms.

Some cities contribute to a state fund.

Some have established a municipal fund.

Others divide their property according to large or hazardous risks and smaller, safer risks, and place the former with insurance companies, while they themselves take care of the minor ones.

Certain large cities which have a great variety of risks do not provide for special funds at all, but assume that the distribution of their risks over a large variety of locations and hazards will work according to the law of averages. The usual plan is to pay for losses out of current income.

To assume the part usually played by the insurance companies, the municipalities should be in a position to act on principles

of selection, distribution, and financial stability similar to those guiding insurance companies. Accordingly, loss experience, categories of risks, and their distribution must be considered when deciding upon the amount of appropriate reserves.

If a city is large and well spread out and owns a great number of buildings of different types, it can operate more nearly under the same conditions as an insurance company. If, on the other hand, a city is small, or if its public buildings are rather close together, an entirely different situation exists. The likelihood of one disaster destroying all or even many of the city-owned structures is very remote in the first example. In the second, however, one storm, fire, or flood might destroy all or the majority of the city's buildings.

It follows therefore that the large city is in a much safer position for self-insurance than the small one. Even so, such a situation presents some difficulties.

The most serious problem is the amount of money to be invested in a sinking fund. Even if the city has provided for the development of ample funds, considerable losses cannot be settled out of the fund for many years, and the occurrence of a loss during the first years of the fund's existence would present a grave danger to the city's finances. Not only would the fund be wiped out completely, but the city would have to dig deep into its pocket to make up the loss.

The only way to prevent such financial catastrophe would be to take out insurance while the fund is still small, and to decrease gradually the amount of insurance in the same proportion as the fund grows. If the sum which is added annually to the sinking fund is large enough to buy sufficient insurance, there is no reason why a large capital should be kept in a sinking fund.

Finally, there is the problem of politics entering the administration of such a fund. Appropriations may suddenly be cut, or the fund be used for other purposes if this apparently "idle money" has not been needed for a number of years.

The very large and well-protected city with a great variety of locations and properties may believe itself better off without protection from insurance companies. This is true only if that sum is always immediately available which would pay for the

largest loss that might befall the city. This means that the city has to be in a position to pay for the results of a widespread conflagration.

The small community, unless included in a regional plan, will usually fare better with the service of insurance companies.

planned insurance

The basic problem in all libraries contemplating an insurance program is "What do we need, and what can we afford?"

To get the best possible protection for the money available, the hazards of the library as a whole should be carefully considered with regard to buildings, movable property, services, and all operations on or off the premises. The purpose of such a consideration is to determine values, as well as risks involved in exposures and operations needing specific protection.

This over-all view can best be gained by an insurance survey, which should be conducted by an experienced insurance man with the assistance of the librarian.

While it may be comparatively easy for an insurance expert to determine the amounts needed for automobile insurance, safe-burglary, or employer's liability, he cannot be expected to be familiar with the intricacies of library cataloging procedures and their cost, nor can he know special values in the book collection. Only the librarian knows all this, and the two must pool their knowledge to find out where protection is needed most.

Quite often such a library survey brings to light conditions of which the librarian has not previously been aware, such as lack of proper fire-fighting equipment or unsafe operations which increase the hazard. Not only will insurance premiums be reduced if such conditions are remedied, but the improvements will also help to protect public safety and property.

After this over-all survey of the library has been made, the insurance man will recommend a complete insurance program designed for the library's individual needs and providing for every possible contingency.

Not every library will be able to afford such complete insurance protection. If a selection has to be made, the *essential* types of policies will be pointed out by the insurance man and chosen by

the library, while others, though *desirable,* may have to wait until later. Essential types of insurance are those that provide the amount of protection which, in case of a serious loss, would restore the most needed services. Desirable protection provides indemnity for such losses which—though regrettable and sometimes costly—would not seriously affect resumption of library operations.

When the librarian submits the results of an insurance survey to his board, he should be sure to point out both types of insurance protection, the essential and the desirable. Even smaller losses not threatening to the life of the library cause disappointment. If the library suffers an uninsured loss of $500 which the payment of a $10 or $15 insurance premium could have made recoverable from an insurance company, the librarian need not take the blame for such an oversight if he can show that he previously pointed out such a possibility.

The value to the librarian of having an insurance survey made is obvious. He has found what can be had, what the cost would be, and where he has to watch for danger. He has familiarized himself with his library from an entirely new angle by working out the insurance problems with his adviser. He will now be interested in keeping up to date with new developments, and he will be open to new suggestions and possible improvements in the library's insurance program.

3. *preparation for placing library insurance*

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selection of representatives

Usually three types of insurance men come into contact with the public: agents, brokers, and consultants. Whichever of the three is chosen to advise on the library's insurance problems, the main consideration must always be his qualifications: sound knowledge, competency, and integrity.

agents

The type best known to librarians of small towns and rural communities is probably the insurance agent. The local agent is intimately familiar with the circumstances in his town or village —with its typical hazards as well as opportunities for improvement. He also appreciates the importance of the library to its community and is, as a taxpayer and member of that community, interested in its welfare.

Insurance agents are under the supervision of the states in which they do business. They usually need a license from the insurance department or commissioner of insurance and often must pass an examination. Agents may represent one or several companies. Their legal position is that of a representative of the company.

During recent years much has been done to raise the status of the insurance agent from that of an insurance salesman to that of a true and competent adviser. The requirements for obtaining licenses are stricter, and the companies have done a great deal through educational programs designed to keep their agents up to date. Sound knowledge rather than "canned" sales talks is the equipment of an able insurance agent today.

Naturally, the number of companies which any one agent represents is limited. But this need not be a disadvantage. An agent usually makes his choice according to his specialization within the insurance field. Most first-rate companies of the same type, i.e., fire companies, casualty companies, etc., do not vary greatly from each other in the type of protection they can offer at a certain price. In addition, most policies are of a "standard" type, that is, all companies writing them within a given state have to adhere to the same rules and regulations prescribed by law.

The limited number of companies usually represented by an agent may be significant when it comes to particular nonstandard types of insurance coverage: one company may write a new type of policy which others have not yet adopted; some companies may have more satisfactory methods of loss settlements than others or may be more liberal in the interpretation of certain clauses. Occasionally, it is advantageous to be able to shop around and compare rates and services.

brokers

More independent than the agent, in some respects, is the insurance broker. In the case of the insurance agent a reputable company is itself a guarantee that only sound business will be transacted in its name; the insurance broker, however, is not a company man. He too may have to take an examination and he needs a license from the state in which he operates. If he proves to be incompetent or untrustworthy he loses his license. The legal position of an insurance broker is that of a representative of his clients to whom he is responsible. He may offer as wide a choice of policies or companies as is permissible in the state in which he does business.

In practice, the differences between brokers and agents are not great from the client's viewpoint. It is obvious that the broker too will probably do business with a selected group of companies—that is, with those whom experience has shown to be the best for his type of clientele and whose services he has tested and found most satisfactory.

consultants

Insurance consultants usually act in a purely advisory capacity, charging a fee for their service. They examine existing policies submitted to them for evaluation; they make recommendations to effect savings in premiums for their clients; they point out inadequate coverages or duplications. They do not, as a rule, sell insurance. This may seem to be an advantage to people who are apprehensive of "having" to buy something.

There is, on the other hand, this to consider. Insurance consultants are usually not subject to control by the insurance department of the state in which they operate unless they are, at the same time, agents or brokers. They are, therefore, not licensed in all states.

While an agent or broker would lose, not only prestige, but the business of a client who was not sufficiently insured because of poor advice, the consultant—unless his services are obtained on a long-term basis—cannot be so affected. The experienced and responsible agent or broker has to work continuously to keep the insurance protection of his clients up to date, and he is there to

assist them when a loss occurs. The insurance consultant has no further responsibilities beyond his consultation and recommendation.

Also, unless a case is extremely complicated, it is not necessary to incur expenses for consultations. Agents and brokers usually do not charge for such service. Obviously, the assistance which an insured needs is of a continuous nature, as situations and values change. Occasional advice is seldom enough. The agent or broker who keeps in constant touch with his clients is usually best fitted to render all necessary services.

In general, no matter which insurance man is chosen, he must know his business and be a man of excellent standing in his profession.

One word of warning is in order: As a rule, state insurance laws prohibit a client's receiving any part of the agent's or broker's commission. Such rebating, or splitting of commission, would constitute discrimination; and, just as companies are not permitted to discriminate, neither are agents or brokers permitted to arrange "special" rates for selected clients. State laws usually provide penalties, fines, and imprisonment for both insurance men and their clients if such procedures are detected.

When the library administrator comes to the selection of an agent or broker, he often finds (and this problem is typically one of the small community) that there are a number of insurance men eager to get the library's business. Naturally, the library's interests should come first. It may seem desirable to give a little of the business to each agent, but such amiable impartiality often works to the library's disadvantage.

It may occasionally be satisfactory to entrust entirely different types of insurance to different insurance men: one might handle the liability insurance; another, the burglary insurance; a third, the fire insurance; and so forth. But several agents should never handle independently parts of any one kind of insurance. That is, if one type of insurance, e.g., fire, is divided among several companies as it may well be, *all* policies of that type (e.g., all fire policies) should be handled by the same agent or broker or by two or more working in close cooperation.

Where large properties are involved, distribution of a single type

of insurance (fire, for instance) among several companies may be necessary if no single company will accept the whole risk. If, in such a case, a number of agents handle the insurance, each one dealing with a different company and knowing only the policy he has sold, inadequate protection for the library is likely to result. A sound insurance program requires unified planning.

The principle of unity is not violated if several agents or brokers are willing to work together and handle the library insurance as a group. In some communities a committee is formed of the local insurance men and, though each committee member gets his share of the business, the unified administration eliminates any disadvantage to the library.

A number of libraries rotate their insurance business among the local insurance men. This works only if the policies are not changed frequently from one company to another, as it is well to build a favorable loss experience with one company. Then too library interests are not best served when each new agent must become familiar with library problems.

selection of companies

In most cases the insurance-buying public chooses a company only indirectly; as a rule, most people accept what their insurance adviser offers and trust his judgment. This is usually sound practice. The library administrator should know, however, the main types of insurance carriers.

Insurance is supervised by the individual state governments. Therefore, each company wanting to do business within a given state has to obey the insurance laws of that state. These laws require that the financial status of a company meet minimum requirements, that a company maintain its capital and reserves at certain levels, and that it make only certain types of investments. As a rule, the state insurance departments, or the commissioners or superintendents of insurance, require periodic reports, so that the financial stability of each company may be examined by the state at regular intervals. The protection of the public, the immense sums involved, and the disastrous results if a company should fail to meet its obligations make such supervision extremely important.

stock companies

Stock companies are organized to make profit for the stockholders who own the corporation. The companies are expected to pay dividends to the stockholders at the end of the business year. The premium which the policyholder pays is established in advance, no further payments are ever required, nor are dividends on premiums paid to the policyholder. If over a period of time it becomes evident that unusually high loss payments must be made for which the loss reserve fund is inadequate, the stockholders' capital must be used to meet such obligations. For this reason the company has to make its investments in securities which are considered not too speculative and which can be converted into cash without too much delay.

mutual companies

Mutuals are owned by the policyholders, who are therefore at the same time representatives of the insurer and the insured. If there are any profits at the end of the business year, the policyholder shares in them, thus reducing his initial premium payment. On the other hand, the possibility exists that the policyholder may have to contribute to cover a deficit if heavy losses must be paid for which the reserves are insufficient. Before choosing a mutual company the insurance buyer should find out whether such assessments are provided for or not.

As a portion of the profit goes back to the insured, the cost of insurance with mutual companies is usually less than the cost with stock companies.[1] Stock companies, on the other hand, are responsible for financing many of the services which benefit the general public, such as fire-fighting campaigns and local or national insurance research organizations.

state funds

State funds have been organized in many states for the purpose of providing insurance for certain types of hazards, chiefly those in the field of workmen's compensation. Almost all states have made this type of insurance compulsory, and where this is the

[1]This occasionally results in more limited funds being available for service than is the case with stock companies.

case, the states have established funds where such risks may be insured. Since private companies can always exercise the right to reject a particularly undesirable risk, and since an employer is in certain cases compelled by law to take out such an insurance protection for his employees, the state fund must accept every risk. Usually an employer is free to choose between a private company or the state fund. If a number of private companies have refused to insure his risk, he is entitled to insurance through the state fund.

Whatever type of company is chosen, form of organization is less important than level of service, financial standing, and quality of management. Detailed information about the standing of individual insurance carriers of all mentioned types is available in Best's *Insurance* reports which rate each company on all the important factors.

ways of saving premiums

The value of having a complete picture of the library's insurance needs has been emphasized. Such thorough knowledge makes possible many savings.

policy periods

Long-term policies are more economical than short-term ones. A three-year fire policy costs only two and one-half times the annual premium and a five-year policy costs four times the annual premium.[2] Yearly premium payments in automobile insurance cost less than quarterly installments, which carry a surcharge.

distribution of premium payments

A library with a number of insurance policies will want the premium payments to come due at convenient intervals. Most libraries also try to pay an equal amount of premium each year. Both of these aims are achieved by carrying long-term insurance in accordance with a plan recommended to libraries sixteen years ago.[3]

[2]The annual premiums, after the first year, are 75 per cent of the first year's premium.

[3]Report of the A.L.A. Committee on Fire Insurance. *A.L.A. Bulletin*, Vol. 24 (May 1930), 145-47.

This plan calls for three- or five-year policies on a 1-2-3 or 1-2-3-4-5 year basis. In the first year (on the 1-2-3 basis) three policies are written, each for one third of the total amount of protection needed. One is written for one year, one for two years, and one for three years. As each policy expires it is renewed for three years.

To give an example:

Library X needs $150,000 fire insurance. The rate per $100 of insurance is 25c.

First Year

Policy A is taken out for $50,000 for 1 year	$125.00
Policy B is taken out for $50,000 for 2 years	218.75
Policy C is taken out for $50,000 for 3 years	312.50
Amount spent in first year	$656.25

Second Year

Policy A is renewed for 3 years	$312.50
Policy B is still in force, therefore no payment due in the second year	......
Policy C is still in force, therefore no payment due in the second year	......
Amount spent in second year	$312.50

Third Year

Policy A is still in force, no payment due	......
Policy B is renewed for 3 years	$312.50
Policy C is still in force, no payment due	......
Amount spent in third year	$312.50

In the fourth year, policy C would be renewed for a three-year period; in the fifth year policy A, and so forth, providing for an annual premium of $312.50.

The above example shows how favorably the premium for a three-year policy compares with that for a one-year policy.[4] The savings which result from taking out long-term policies are far greater than the amount of interest which the money so used might have earned if invested. This will be shown in the following example, comparing the cost of a one-year policy with that

[4]Three annual policies would cost $375 yearly.

of a five-year policy, and assuming that during that time the library could have earned as much as 4 per cent on the money if it had been otherwise invested.

Comparing a one-year policy with a five-year one:

Assuming that a one-year policy costs \$100, the price of a five-year policy is \$400.	
In the first year, there is an additional outlay of \$300, which at a rate of 4 per cent might have brought..................	\$ 12
In the second year another one-year policy at \$100 would have been purchased, so that the interest can be figured only on the remaining \$200,which might have brought...........	8
In the third year, interest on the remaining \$100 would have been..	4
In the fourth year no interest is lost, because \$400 would have been spent on four one-year policies..................	..
Total interest....................................	\$ 24
In the fifth year, \$100 is saved, because of the five-year protection for four years' premium.	
After five years, therefore, the saving for the library is.....	\$100
Less interest lost..	24
Net saving..	\$ 76

Savings are obviously largest when all policies can be written on a long-term basis the first year. Large risks, as libraries almost always are, can secure, right from the beginning, the premium reductions applicable to long-term policies when they follow a certain five-year plan.

The conditions under which insurance on this basis may be had are usually the following: The policies are written in five equal amounts, each covering 20 per cent of the protected value, and taken out for 1-2-3-4-5 year periods. The insured must renew each policy at expiration date with the same company, for at least the same amount, for a term of five years. If any policy is cancelled before the five-year term expires, or is not renewed for a five-year term, the usual rates are applicable—that is, no rate reduction is granted. If these conditions are observed, the shorter term policies do not cost proportionately more than the five-year policy, but all policies carry a long-term discount from the beginning.

An example will illustrate this:

A library has five fire insurance policies with one company. The total amount of insurance carried is $500,000. The rate is 25c per $100 of insurance. The cost of these policies would be $5,000 for five years, if the whole amount were paid at once.

Policy—	Cost under previous plan:*	Cost under premium reduction plan:†
1 is written for $100,000 for 1 year	$ 250.00	$ 200.00
2 is written for 100,000 for 2 years	437.50	400.00
3 is written for 100,000 for 3 years	625.00	600.00
4 is written for 100,000 for 4 years	812.50	800.00
5 is written for 100,000 for 5 years	1000.00	1000.00
Total outlay in first year	$3125.00	$3000.00

*Providing for a 25 per cent reduction for all policy years but the first.
†Providing for 5-year rates in the first year.

In the second year, the one-year policy is renewed for a five-year term, the following year the two-year policy, and so forth, until each policy is changed into a five-year one, while the premium is each year one fifth of $5000, that is, $1000.

avoiding overlapping coverages

The elimination of overlapping coverages is another way to save on insurance premiums. For instance, special collections in a library may be specifically insured under Fine Arts policies which protect against all hazards, including fire. Obviously, such collections should not also be included in fire policies covering the general book collection. Overlapping rarely occurs if one insurance man is familiar with all of the library's policies. Where this has not been the case, existing policies should be carefully checked.

avoiding expense of short-rate cancellation

Libraries may sometimes wish to change from one type of policy to another or to discontinue a policy entirely. In such a case, the library may want to cancel a policy before its expiration date. Cancellation before expiration date usually involves an expense which should be avoided whenever possible. The reason for the expense is this: The return premium for the unexpired term of a

policy is figured on a short-rate basis if the insured cancels his policy and does not take out a new one with the same company. Short-rate basis means that the premium earned by the company for that portion of the policy period which has been "used up" by the insured will carry a surcharge and therefore not be figured on a pro rata basis. This is necessary from the companies' point of view, since the amount of work involved in writing policies is a factor in computing the amount of the premiums. We have seen that long-term policies are cheaper than short-term ones because of the saving in overhead expenses. The companies have therefore to be compensated for overhead expenses when policy terms are shortened. The extra expense which short-rate cancellation may impose upon the insured can be avoided if the new policy is written in the same company and starts on the same date the old policy's cancellation is effective. The amount insured must be at least the same as under the old policy. Only if these conditions are observed can an unexpired premium refund on a pro rata basis be expected.

credits for approved safety equipment

Finally, substantial reductions in rates, and consequently in premiums, may be secured by keeping the library-owned property well protected. Rates reflect the property's susceptibility to danger (fire or other). Therefore, the installation of proper fire-fighting apparatus, approved burglar alarms, safes, locks, and other equipment means cheaper rates and lower premiums.

A number of excellent organizations are very active in investigating how to prevent losses, and their achievements should be carefully followed by the library administration because every new development may mean a saving in premium payments. These organizations carry on vigorous safety campaigns for the purpose of reducing loss of life and property. The National Board of Fire Underwriters and associations of companies, agents, and brokers can be credited with many improvements based on careful research into existing conditions. The Underwriters' Laboratories, a research institute connected with the National Board of Fire Underwriters, constantly tests and recommends or rejects new electrical appliances, safes, sprinkler systems, building materials,

and other products. Approved products receive the label of the Laboratories. The use of such approved material and equipment is of course highly recommended, not merely because substantial rate reductions follow, but because life and property should be given the best protection available.

At the time a new library building is planned, as will be the case in many communities now, the advice of insurance experts should unquestionably be sought. A building site may look desirable, and yet—from an insurance viewpoint—prove unsatisfactory. It may be too far from the fire department, or it may be in a neighborhood which is particularly susceptible to conflagration. In many such cases, the advantage of a low purchase price would be offset by prohibitively high fire rates, which always reflect the desirability of a particular risk from an insurance viewpoint. With regard to construction, insurance engineers will be able to advise on the safest type of structure and interior fittings. Much money will be saved, in the end, if the safety aspect is thoroughly studied when planning a new library building.

Likewise, if a library is being remodeled, many hazards can be eliminated and improvements made which reduce the library's insurance premiums.

Company engineers are available to advise the architect on methods of protection, and engineering staffs of brokerage houses or of national and local organizations will be able to help in obtaining the most modern and efficient devices.

4. *some basic insurance principles*

rates and rate-making

Whenever people discuss their insurance problems, a comparison of rates and premiums is likely to arise. Usually someone is shocked to learn that he pays higher premiums than another on apparently similar property, and he concludes either that his com-

pany charges excessive rates or that his broker has given him poor service. There may, of course, be differences in the types of policy, some allowing for broader protection at a higher premium as compared with limited protection at a lower premium. But the reason why comparable policies may vary in cost can only be understood when the principles of rate-making are investigated and all the factors examined which result in a building situated in City X having a much lower fire rate than a "similar" one in City Y.

The goal of all rate-making is to achieve rates which are adequate (compensate the company), nondiscriminatory (equal to all like groups obtaining the same type of protection), and reasonable (within the budget of the average man needing that type of protection). Naturally, the largest possible number of risks has to be measured in order to arrive at the desired results. Since no one company is in a position to do this alone, rating organizations all over the country promulgate rates according to types of insurance. There are special organizations, bureaus, exchanges, and conferences for every kind of hazard against which insurance provides — fire, burglary, sprinkler leakage, explosion, and so on.

Fire-rating is done by rating organizations in the several states; all member companies must adhere to the rates published. For the purpose of fire-rating, all property is divided into two main classes: those having *minimum* (or class) rates, and those for which *schedule* rates are used. Minimum rates apply to "preferred" risks which are considered to be not particularly hazardous. These risks come under general broad classifications and receive a rating applicable to their class, depending on the type of structure (brick, frame, etc.), the occupancy (dwelling, mercantile, etc.), and the location (fire hazards of a particular district).

Schedule-rating applies to those other risks where individual investigation and inspection is the basis for rate determination. These rating schedules are made up according to scientific systems which take into account both the conditions prevailing in a whole city and those peculiar to an individual building. A city is rated on such factors as the adequacy of its fire protection and its water supply, and on the building code used. Thus a key rate

for a standard building in the city is determined.[1] The rate for an individual building is determined by adjusting this key rate in terms of charges or credits (which result from investigation of the building to be rated). Exposures (surrounding buildings and area), construction of walls, floors, and roofs, heating and ventilating systems, occupancy of the building, its fire protection, and similar factors are taken into consideration.

flat rates — reduced rates (coinsurance)

Premiums determined solely by the published rate are called flat-rate premiums. The published rate in fire insurance, for instance, is the price that has to be paid for the insurance of $100 worth of the property for one year. If the rate applicable to a certain building is 25c, and the value of the building is $10,000, the insured pays $25 (25c times 100) for a policy covering the full value of the building for one year.

Often policies are issued at so-called reduced rates and contain a coinsurance clause. The reasons for this procedure and the operation of the clause must be thoroughly understood in order to receive the full benefit of the rate reduction by complying with the requirements.

Experience shows that most losses from any cause are partial losses only. Knowing this, most people would insure only part of the value of their property if they were free to do so. This would mean that insurance companies would receive premiums only on part of the actual value of the insured property, and since premiums must cover losses, insurance rates on underinsured property would have to be higher than rates on property valued at 100 per cent or 80 per cent.

Let us assume that a company insures one hundred houses, each valued at $50,000. The aggregate value of the one hundred houses is $5,000,000. If premiums were paid for 80 per cent of this $5,000,000, that is, on $4,000,000, the rate per $100 which has to cover the expected losses could be much lower than if premiums were paid only on 40 per cent of the total value, that is, on $2,000,000.

[1]The National Board of Fire Underwriters has made up a classification of cities and towns, dividing municipalities into ten different classes, each reflecting the degree of fire hazard and protection it represents.

Cautious people would, of course, always insure 80 per cent or more of their property, as a total loss is a possibility. These people would then pay a disproportionately high premium. Coinsurance clauses are devised to remove this penalty on caution, and to make the one who underinsures pay for his gamble if he loses. If a coinsurance clause is required in a certain territory, its attachment means that insurance up to a stated percentage is required and that the rate is therefore lower than if everybody could choose to insure any percentage of his values.

The meaning of the coinsurance clause will be evident when we see how it is worded and how it operates.

Most coinsurance clauses are worded like this: "In consideration of the reduced rate . . . this company shall not be liable for a greater proportion of any loss or damage to the property described . . . than the sum hereby insured bears to [80] per cent of the actual value of the property . . . at the time of loss."

The company is saying, in other words: "We do not expect you to insure for full value. We do, however, expect you to insure for a reasonable percentage of it, which is in this case 80 per cent. If you insure for less than this percentage, we will not pay partial losses in full; we will pay only that proportion which the policy amount chosen by you bears to 80 per cent of the actual value of your property."

Two examples will illustrate this:

A library building with a value of $100,000 is insured for $80,000, i.e., 80 per cent of the value. An 80 per cent coinsurance clause is attached. A loss of $40,000 would be paid in full as the coinsurance requirement has been complied with.

Therefore: Partial losses are paid in full, up to the amount insured, if coinsurance requirements have been met.

Another library building with a value of $100,000 is insured for $60,000, i.e., only 60 per cent of the actual value. An 80 per cent coinsurance clause is attached. A loss of $40,000 occurs. Here, the insurance company pays that proportion of the loss that the insured sum ($60,000) bears to 80 per cent of the actual cash value (80 per cent of $100,000 = $80,000). Consequently, the amount payable would be six-eighths of $40,000, or $30,000.

Therefore: Of this loss only three fourths are paid because co-

insurance requirements have not been met. The library becomes a "coinsurer," that is, has to contribute to the loss. This contribution amounts in our example to one fourth of the loss, i.e., $10,000.

How does the clause operate if a total loss occurs? If 80 per cent of the actual cash value is insured, a total loss will exceed the face amount of the policy, which represents but 80 per cent of the full value. The amount payable for any loss cannot exceed the face amount, because the insured can never get more than he has insured.

We must remember, however, that total losses are rare. The 10 or 20 per cent [of the total value] which is not covered by the application of an 80 or 90 per cent coinsurance clause is usually considered salvageable out of any total loss.

Insurance for a higher percentage than that required by the attached coinsurance clause is always possible and often advisable. If market values fluctuate and the price trend is upward, the insured may, during the term of his policy, be in danger of not keeping up with coinsurance requirements. To give an example: a building may increase in value by as much as 30 per cent within a few years. The insured percentage of 80 per cent of the actual value – as of the inception date of the policy – would then no longer comply with coinsurance requirements, as less than 80 per cent of the now prevailing value of the building is insured. To meet such contingencies, it would be wise to insure 100 per cent of the actual value and have the 80 per cent coinsurance clause attached.

To explain this more fully: instead of insuring a building worth $100,000 for $80,000 (in compliance with the 80 per cent coinsurance clause), a library may want to insure it for the full value, $100,000. Even then, the 80 per cent coinsurance clause should be attached. The library has now a 20 per cent margin for fluctuations in value during the term of the policy. If the value of the building increases by 20 per cent, the requirements of the 80 per cent coinsurance clause are still observed.

Apart from situations where rising prices may be expected, it is still sometimes practical to insure more than 80 per cent of the actual cash value of the property. This should be done whenever

an insured thinks the occurrence of a major loss possible—that is, a loss exceeding 80 per cent of the value of his property. Insurance companies take this foresight into consideration: if an insured wants to provide for 90 or 100 per cent of the actual cash value of his property, although 80 per cent is all that is required, he is usually entitled to a 5 or 10 per cent discount. These discounts are available only if the insured agrees to have the 90 or 100 per cent coinsurance clause attached to his policy.[2]

valued and nonvalued contracts of insurance

Valued insurance contracts provide for payment of the insured sum of money in case of a total loss of the property. This sum is the agreed value and is arrived at—according to type of property—by the careful appraisal of an expert. There is a certain inflexibility here, as the amount of replacement at the time of loss is predetermined. Unless such a policy is periodically adjusted, the insured may at a time of rising prices not be adequately covered. On the other hand, definite knowledge of what to expect in case of loss is an advantage.

Nonvalued contracts state that payments are to be made for "actual cash value" at the time of loss. This means the sum for which the property can be replaced at that time, less deduction for depreciation. The amount itself can not be specified in advance; instead, rules are given for determining the amount at the time of loss. In this case the policy amount is only the maximum amount payable under any condition.

Whether an insurance contract is valued or not is not left to the insured; some forms of contract are issued only as valued forms, while others are on an actual cash value basis. The New York State fire policy, for instance, is a nonvalued contract. Some other states use a valued fire contract.

distribution of insurance between companies pro rata liability

Frequently several companies are called upon to insure part of the same property. An insured may, at various times, have taken out different amounts with several companies and will want to

[2]Of course, no margin for fluctuations is taken into account.

know how much each company contributes to a loss payment. Insurance policies contain clauses covering this situation.

As a rule, each company pays its share of the loss in that proportion which the sum insured with that company bears to the total amount insured with all companies. This rule applies whether the amounts payable by the other companies are collectible from them or not. An example:

A library building is insured against fire with four different companies.

With Company A it carries	$ 25,000
With Company B it carries	25,000
With Company C it carries	40,000
With Company D it carries	10,000
Making a total of	$100,000

If a fire occurred, causing a loss of $20,000 to the library, the four companies would pay:

Company A (the $25,000 insured with this company is one fourth of the total)	$ 5,000
Company B (the $25,000 insured with this company is one fourth of the total)	5,000
Company C (the $40,000 insured with this company is two fifths of the total)	8,000
Company D (the $10,000 insured with this company is one tenth of the total)	2,000
Total paid—the amount of the loss	$20,000

If, in the same example, the amount insured with Company B were for some reason not collectible, the payments of the remaining three companies would still be the same. In this case, the library could collect only $15,000 instead of $20,000.

distribution of insurance among locations
pro rata distribution

A single policy may be taken out to protect property in more than one location. This is very often the case when book collec-

tions located in several buildings are insured under one policy for one over-all amount. Such collections seldom remain stable for even one year, and as the collections fluctuate in size at the various locations, so do values fluctuate. Librarians should know how far the lump sum protects each location, that is, up to what amount the company pays in case of loss.

Policies covering in the manner just described usually contain a clause providing for proportionate payment. The loss payable at each location shall be in that proportion which the value contained in each location bears to the total sum of values in all locations.

To give an example:

A library houses its book collection, representing a total value of $500,000, in five buildings in such a way that at the time of a loss the values are distributed like this:

Location	Value	Percentage of total value
Main Building	$200,000	40
Branch No. 1	100,000	20
Branch No. 2	100,000	20
Branch No. 3	50,000	10
Branch No. 4	50,000	10

If the library was fully insured and Branch No. 1 suffered a total loss, 20 per cent of the total amount of insurance, i.e., $100,000, would apply to Branch No. 1.

But if the library carried only $300,000 insurance on all five locations, 20 per cent of that sum, or $60,000 only, would be available to cover the $100,000 loss at Branch No. 1.

various types of coverage under policies

blanket coverage

We have seen that several locations are sometimes covered under one policy by a lump sum. In the same manner, buildings and contents can be insured under a single policy for one over-all amount. Both types of coverage are called *blanket* insurance, because the individual values covered are not itemized in the contract.

Wherever a library collection is housed in several buildings, blanket insurance coverage is preferable; as book collections are shifted from one building to another, values change too and may be doubled at one location while they are sharply reduced at another. If a fixed value were placed upon each location, the problem of over- or underinsurance would arise. If a blanket type of policy in a sufficiently large over-all amount is taken out instead, the library is adequately protected at each location. The application of the pro rata distribution clause provides for a fair share of the insurance for each location in case of loss.

specific coverage

If a building and its contents are insured under one policy but with a separate amount of insurance specified for each, this coverage is called *specific* insurance. The same holds true if a separate policy is issued for either a building or its contents. Specific insurance means that one definite amount of insurance is applicable to a definite piece of property or object of insurance.

Sometimes a number of buildings (and contents) are insured under one policy with definite amounts of insurance applying to each building (and the contents of each). This type of specific coverage is called *schedule* coverage. Some libraries are using such a schedule in their fire coverage. Its inflexibility is obvious.

floating coverage

As the name floating coverage suggests, this insurance protection follows the object of insurance and covers, according to policy conditions, wherever the property may be. Typical examples of floating insurance are Personal Effects floaters, Musical Instruments floaters, Jewelry and Fur floaters, etc.

duties of the insured

When the contract of insurance has been obtained the insured must realize that he has agreed to fulfill certain requirements.

If a loss occurs, the insured has to notify the company immediately. All policy provisions referring to such duties must be thoroughly understood and observed in order to secure prompt loss settlements. Almost always there are proof-of-loss and other

forms to be filled out before the elapse of a specified amount of time.

It is also the responsibility of the insured to report any important changes in the condition of his property. An increase in hazard, for instance, may result in suspension or voidance of the coverage unless duly reported. The payment of an additional premium may be required. Transfers of contents, as for instance book collections, to locations not mentioned in the policy should be reported if coverage at such new locations is desired. On the other hand, if one branch building is given up and the book collection distributed among the remaining buildings, the building coverage for the abandoned branch should be eliminated from the insurance policy, while the equivalent amount of protection should be applied toward a more adequate book protection in the remaining locations.

Furthermore, if during the term of a policy the library building is remodeled, the resulting changes may easily affect the insurance rate. If the library is equipped with better fire protection than before, it should have its rate re-examined, since a lower fire rate means a lower premium.

5. *determination of values*

The task of establishing the value of property to be insured is the sole responsibility of the one taking out the insurance and not, as is often erroneously assumed, that of the insurance company. This fact must be emphasized, because librarians sometimes think that insurance companies should give considerable assistance with the procedure of appraising and evaluating a library's possessions. Companies do maintain adjusters' services but these are solely for the purpose of loss adjustment; the adjuster investigates property after a loss to determine the amount payable under the terms and amount of the policy in order to restore the prop-

erty to its *status quo*. It is evident that this adjustment procedure will be slow, difficult, and probably unsatisfactory whenever values have been only roughly estimated or when estimates are out of date at the time of loss.

appraisal

Complete inventories in modern form are expected of a library just as of a modern business establishment. This is not particularly complicated as far as buildings, furniture, fixtures, and equipment are concerned. Appraisal services are available and should be used at regular intervals to enable the library to adjust its values to changing construction prices. Contractors, builders, and real estate men and appraisers can all be of assistance; quite often the insurance companies will be able to furnish names of reliable firms who do appraisals. For art collections, old furniture, or other valuables, experts should be asked to determine present market values. In this connection it should be noted that the insured is always "entitled to a bargain": if any of his property was acquired at an unusually low cost but could not be replaced except at a higher price, this present increased price should be the sum for which it is insured. Consideration must also be given to building code regulations which make it impossible to rebuild in the same manner but require safer types of structures which are more expensive. An example is the now usually prohibited rebuilding of frame structures. During wartime, special attention had to be given to various government regulations concerning building activities and the use of material, which delayed the planned reconstruction of destroyed buildings.

evaluation

How to evaluate a library's book collection properly has perplexed librarians for a long time. Many different methods have been used, all relying too much on guesswork, until it has finally been recognized that a reasonably accurate evaluation procedure must be established. Librarians have come to realize that underinsurance can be dangerous, not only for reasons of coinsurance requirements but also because quick restoration of services is vital to an institution serving the public.

About ten years ago, the Insurance Committee of the American Library Association began trying to establish some key figures which could serve as a guide to all types of libraries. Since libraries vary greatly in size and purpose, figures had to be established for the individual classes of books (Reference, Adult Fiction and Nonfiction, Juveniles, Periodicals) which in varying proportions go to make up the average collection.

Results of these investigations were published from time to time in the A.L.A. Insurance Committee reports,[1] and the figures established are being used in a number of libraries. It can easily be seen that this work has been a great help to libraries all over the country.

Naturally, the more definite and detailed the data on which an evaluation is based, the more accurate it will be. The A.L.A. procedure and figures can be only a basis on which to work. Each individual library will have to check these figures in order to find out how they should be modified so that they can be made accurate indicators of that library's values.

Nonfiction, for example, is really too large and various a group to be given a single average value. The A.L.A. figure was presumably determined after all the classes comprising Nonfiction were separately evaluated. Still, the proportions of the various Nonfiction classes represented in different kinds of libraries must vary greatly. If a given library is especially strong in Fine Arts, this class, in which the average book price is high, will raise the average Nonfiction value appreciably. Other libraries containing much popular current material may have to reduce their Nonfiction value figure below the A.L.A. average.

It is evident that we still need a nationwide survey in which libraries of all kinds and sizes would cooperate to establish more accurate average values for typical collections. Until such a project is accomplished the present A.L.A. figures can be used—not copied, but modified according to the needs of each individual library.

Since the whole evaluation procedure is made with possible losses in view, one must consider the risk that one entire class might be destroyed, which is not impossible in view of classified

[1] *A.L.A. Bulletin,* Vol. 24 (May 1930), p. 145-47; Vol. 29 (June 1935), p. 355-57; Vol. 30 (May 1936), p. 383-86.

shelf arrangements. This is one of the reasons making it highly desirable to have available average book values per class.

The following table shows the Committee figures:[2]

	Per Volume Insurance Value[3]	Cost Price	Per Item Insurance Value
Adult Fiction	$0.85	$1.36	
Adult Nonfiction	1.46	1.93	
Juvenile Fiction	.67	1.00	
Juvenile Nonfiction	.67	1.00	
Reference Books	3.37	4.80	
Periodicals	3.00		
Foreign Language Books			
Circulation	1.00		
Town and County Histories	2.75		
Genealogies	6.75		
Documents			
Paper Bulletins	.10		
Paper-bound Volumes	.50		
Other bound Volumes	1.00		
Periodical Volumes, bound and unbound	2.00		
Newspapers, per issue			
before 1800	3.00		
1800-20	.75		
1820-40	.50		
1840-65	.25		
1865 to date	.10		
Stereographs			$0.05
Mounted Pictures			.03
Sheet Music			.50
Post Cards			.01

[2]*A.L.A. Bulletin,* Vol. 38 (October 1944), p. 369. List of insurance values. (It should be noted that some of the published figures represent evaluations of individual libraries.)

[3]To arrive at the insurance value the cost price was depreciated by 50 per cent for Fiction and Children's books, by 33⅓ per cent for Nonfiction and Reference books. An average binding cost of 68c was arrived at.

The A.L.A. Insurance Committee report for June 1935 (cf. footnote [1]) shows how the insurance value of an Adult Fiction book, with a cost price of $1.36, was arrived at: ½ × $1.36 + ¼ × 68c. This is based on a 50 per cent depreciation and assumes that "50 per cent of the books are sent to the bookbinder for rehabilitation, so that 25 per cent of the binding charge might be added." (The situation referred to was Westfield, Mass.)

Let us assume that all Nonfiction books were evaluated at the A.L.A. figure of $1.46 per volume, and a total amount was determined for the whole Nonfiction group. In the event of a loss, the library would be in a much better position if specific values for each class were in its records, than if only the average price for all Nonfiction books was available. No doubt the average price for the whole group helps some, but the librarian is in a stronger position if he can take from his files a careful evaluation showing which classes were above and which below the over-all average value. This is proof that the evaluation was carefully made and the insured sum properly arrived at.

Librarians, much relieved to use an established formula, often tend to overlook the degree to which two important factors, *depreciation*[4] and *obsolescence,* vary from library to library.

depreciation

Circulation statistics show which classes of books are in greatest demand at any given time. No two library collections are exactly alike, since every library is serving a different type of clientele. Consequently, depreciation of classes of books, caused by the wear and tear of circulating, must be different in each library.

obsolescence

Many books, still in good physical condition, are outdated or superseded by better or more comprehensive works. This is true not only in the case of textbooks or scientific treatises, but also "ordinary" library material like history, travel, war books, and most of all, popular fiction. Demands cease, tastes change, many books become deadwood on the library shelves. Again, only each library administrator can know how long individual types of books will be in demand.

For insurance purposes, books which librarians would not bother to replace in case of loss should be either eliminated from the coverage or be insured for a nominal sum. Books which are subject to much wear and tear should be insured with a substantial deduction for depreciation. On the other hand, appreciation should be considered for books whose value has considerably

[4]Fall in value caused by wear and tear.

increased in the course of years. No fixed percentages for any of these procedures can be given, but librarians themselves can arrive at fairly accurate estimates, as only they can know their collections.

Some of the most important factors influencing the evaluation of individual library collections are:

(1) *Type of library:* The more specialized the book collection, the easier its evaluation.
(2) *Life expectancy of books:* How much use, in terms of years, is made of a book?
(3) *Rate of book growth:* Acquisition in relation to discarding varies between individual libraries. A perpetual inventory is a great aid to accurate evaluation. Weeding, discarding, etc., at irregular and infrequent intervals may mean too high evaluation and hence insurance cost.
(4) *Binding and mending:* A good state of repair throughout the book collection means higher values, and less depreciation.
(5) *Cataloging cost:* Salaries vary; cost of labor and material has to be established.
(6) *Mechanical preparation:* Material used and amount of clerical help employed must be figured in terms of cost to the library.

suggestions for evaluation procedure

Having glanced at general principles of evaluation, we shall now try to see what practical routines can be established. A number of methods are possible.[5] According to time and staff available, the process may either stretch out over a long period of time, involving a great deal of work with almost perfect results, or it may be done fairly quickly with "fairly accurate" results.

Fortunately, insurance companies will be satisfied if reasonable efforts on the part of the library are evident, and a fair evaluation has been attempted, even if it is not 100 per cent accurate. Insurance people do recognize the troublesome task which book evaluation is and are in general willing to cooperate by accepting evaluations which, in the end, nobody but the librarian can properly judge. Unless much guesswork or real carelessness is

[5]For an example of a work sheet to use in estimating value of library contents see form (furnished by the Royal-Liverpool Group) facing p. 32.

WORKSHEET FOR ESTIMATING THE VALUE OF THE CONTENTS OF THE

LIBRARY AT ____________

A | BOOKS, MAGAZINES, NEWSPAPER FILES, DOCUMENTS, PAMPHLETS & COLLECTIONS OF EDUCATIONAL MATERIAL

1	2	3	4	5	6	7
CLASSIFICATION	Average Cost per Volume	No. of Volumes Priced if Spot-Pricing Method is Used	Add Loading Charge for Mechanical Preparation of Books for Circulation	Average Cost of Mending or Repairing per Volume	Percentage of Total Volumes Mended or Repaired	Add Loading Charge for Mending or Repairing
Reference	$		$	$	%	$
Adult Non-Fiction					%	
Adult Fiction					%	
Juvenile					%	
Magazines					%	
Newspapers					%	
Documents—(Miscel.)					%	

	8	9	10	11	12	13	14	15
CLASSIFICATION	Cost of Rebinding per Volume	Percentage of Total Volumes Rebound	Add Loading Charge for Rebinding	Total Average Cost per Volume	Depreciation Average Percentage	Insurable Value Average per Volume	Total Number of Volumes	TOTAL INSURABLE VALUE
Reference	$	%	$	$	%	$		$
Adult Non-Fiction		%			%			
Adult Fiction		%			%			
Juvenile		%			%			
Magazines		%			%			
Newspapers		%			%			
Documents—(Miscel.)		%			%			

A1 | BOOKS, MAGAZINES, ETC. IN CIRCULATION

Estimated Average Number at Any One Time During Year ______

CLASSIFICATION	Percentage in Circulation	Number in Circulation	Insurable Value Average per Volume	Insurable Value of all Volumes in Circulation
Reference	%		$	$
Adult Non-Fiction	%			
Adult Fiction	%			
Juvenile	%			
Magazines	%			
Newspapers	%			
Documents	%			

Total Number of Books .... ____________ TOTAL $____________

Total Insurable Value of Books.. $____________

Aver. Insurable Value of Books.. $____________

TOTAL $____________

TOTAL $____________ DEDUCTION $____________

ESTIMATED NET INSURABLE VALUE OF BOOKS, MAGAZINES, ETC. FOR INSURANCE PURPOSES.................. $____________

B | CARD CATALOGUES & CARD RECORDS

DESCRIPTION	Estimated Number	Estimated Replacement Cost	Total Estimated Replacement Cost
Shelf List		$ Each	$
Adult Catalogue		"	
Juvenile Catalogue		"	
Morgue		"	
Registration Cards		"	
Withdrawal Records		"	

ESTIMATED TOTAL NET INSURABLE VALUE OF ALL CARD CATALOGUES AND CARD RECORDS .... $

C | Accession Books or Records — Number ____________ Estimated Replacement Cost and Insurable Value .... $

D | Estimated Net Insurable Value of Furniture, Fixtures, Tools and Equipment (Separate from and not Insured with Building) as per List Attached .... $

ESTIMATED TOTAL INSURABLE VALUE OF ALL LIBRARY CONTENTS (Not Specifically or otherwise Insured).......... $____________

X14221 5M 11-41 PRINTED IN U.S.A.

SUGGESTIONS FOR HEADINGS A1-B-C-D

A1 — Books, Magazines, etc. in Circulation:

Insurable values are reduced by books and other items in circulation, collections loaned to schools or other organizations. In computing values for property in circulation, monthly circulation figures may be used, separated by classifications, and divided by 30 to reduce to a daily basis. Such a daily figure would represent the average number of books in circulation, the value of which is to be deducted.

B — Card Catalogues and Card Records:

The main value is the labor element involved in replacement. If card records are made by the library, this value will depend upon salaries paid and time consumed. The average value of a catalogue card made by a library worker varies from 2 cents to 15 cents. Replacement cost can be approximated by dividing salaries over a period (a year, say) by number of cards made, allowing for time spent on other work. Add labor cost to material cost.

The approximate number of cards in the various files may easily be determined by counting the number of cards, including guide cards, to an inch of space, measuring the number of inches of space occupied by the cards in the trays or drawers and then multiplying to determine the approximate total number of cards. Multiply the estimated replacement value per card per class by the number of cards per class and add the resulting values to obtain the total replacement and insurable value of all card records.

C — Accession Records:

These are usually in book form, either bound or loose-leaf. Here, again, the main value is the labor element involved in replacement of entries. Add to the actual cost of the records the librarian's estimate of the labor involved in replacement and the result will be as nearly accurate as is practicable.

D — Furniture, Fixtures, Tools and Equipment:

Include only movable property. Furniture, fixtures or articles permanently attached to the building (book stacks, etc.) should be included in the building value.

Library inventory records are usually available but may be in need of revision. If no inventory is available, list the property, room by room, using the services of the library staff. Assemble the librarian and several members of the Library Board and price the property from catalogues, library records, or receipts. In case of doubt or incomplete records, use the best judgment of the library staff. Prices should be based upon replacement cost and a reasonable depreciation deducted from the total, the percentage of depreciation depending on the particular situation.

BRIEF SUGGESTIONS FOR USE OF THIS WORKSHEET

The following suggestions apply to the four classifications A, B, C, and D. Practically all figures and estimates should be those of the librarian and/or assistants or should be taken from library records.

Heading A — All Books, Magazines, etc.

Col. 1. Classification: Property not listed under the seven classifications may be entered on blank lines provided in the right hand portion of Section A1.

Col. 2. Average Cost Per Volume: If library records show purchases by classifications, this figure is readily obtainable. Average for fiction and juvenile books should cover preceding two or three years because these books wear out quickly. Alternative, but less accurate, method is to spot-price books by classification from accession records (**Net** cost to library should be used) being careful to use fair and representative cross sections.

Col. 4. Loading Charge: Include both material and labor cost—collating, marking, perforating, etc., but not cost of shelf list and catalogue cards or entry in accession records. (These operations considered separately under "B" and "C" headings.)

Cols. 5, 6, 7. Mending Cost, Percentages and Loading Charges: Mending operations include miscellaneous repairs, replacing pockets and labels, lacquering books to make them washable, etc. As the average book apparently receives approximately two mending operations, the loading charge should be the percentage, for each classification, of twice the estimated average cost of a mending operation.

Cols. 8, 9, 10. Rebinding Costs, Percentages and Loading Charges: Rebinding costs, obtainable from library records, vary with book classifications. To compute loading charge multiply rebinding cost per volume per classification by the estimated percentage rebound per classification. The result is the average increase in cost per volume per classification due to rebinding. Ordinarily a book is rebound only once.

Col. 11. Total Average Cost per Volume: This is the sum of the average cost per volume (Column 2 under "A") plus the three loading charges.

Col. 12. Depreciation, Average Percentage: Will vary with book classifications and is best estimated by librarian. Estimates given average 10% to 15% for reference books, 20% to 25% for non-fiction, 50% to 60% for fiction and juvenile, 15% for magazines not in circulation and nil on bound newspapers not in circulation. Upkeep and maintenance should be disregarded in computing these percentages.

Cols. 13, 14, 15. Insurable Value: To obtain average insurable value per volume per classification, deduct estimated depreciation from total cost per volume, each by classification. To compute Total Insurable Value, multiply by total number of volumes in each classification.

NOTE: Newspapers and magazines, if bound in annual form, are generally valued at annual subscription cost plus cost of binding. If bound semi-annually or quarterly, add one-half or one-fourth the annual subscription cost to the cost of binding and multiply by the number of volumes.

Government documents are generally considered to have no insurable value as they can usually be replaced free of charge. If included in "Total Number of Volumes" they should be eliminated before computing "Total Insurable Value."

As many libraries place their Fire insurance on a flat value per book, usually picked out of thin air, it is often a matter of interest to compute the average value per book, without regard to classification and compare with the arbitrary flat value per book used by the library. Three lines are provided for that purpose (to the right of the block captioned "Books, Magazines, etc. in Circulation").

apparent, there will be no trouble as far as loss adjustments are concerned. If the time and money required to do a thorough job of evaluation is lacking when insurance is taken out, it is best to give a tentative estimate at first and to correct the figures as soon as circumstances permit. The company will then have to be informed of the revised estimate, and the premium adjusted if necessary.

There are several procedures for book evaluation:

first method.—The shelf list is used to count holdings in each class. To determine price averages per class, the spot-pricing method can be employed. The number of books priced in each class must of course be proportionate to the size of that class, and must represent it in all its variety of subclasses. In other words, if one tenth (or less, according to the size of the collection) of each class is sampled, every tenth book is priced—not a solid block of titles from the beginning, middle, or end.

After cost price averages for each class have been listed, binding records per class are consulted to determine (1) the average binding cost per book and year; (2) the percentage of books bound per class and year. For this purpose the total binding cost per class is divided by the number of books bound and the resulting figure is the average binding cost per book. The percentage of books bound is easily determined. An example illustrates the two procedures. A certain class consists of five thousand titles. During the course of the year one thousand books are bound and the yearly binding bill is $1,000. The average binding cost per book bound is $1. As 20 per cent of the total titles are bound, 20 per cent of the average binding cost, or 20c per book, is added to the cost price.

The next step is to add costs of cataloging and mechanical preparation by class. Both labor (professional and clerical) and material (cards, bookplates, pockets, etc.) should be counted. Many libraries know their unit cost of preparation per book for the whole collection, but a break-down by class makes the evaluation more accurate.

The librarian will, after the two foregoing procedures, have a rather accurate idea of the state of his collection. At this point a deduction for depreciation and obsolescence will have to be made.

Multiplication of the average value per book in each class by the total number of books within each class produces the insurance value per group, and addition of all the group values will give the insurance value of the whole collection.

When computing values by any of the evaluation methods, the value of the average number of books in circulation is deducted. Books in circulation represent a well-spread risk. Moreover, books lost by readers are expected to be paid for by them.

If the librarian has reason to be confident that his evaluation is accurate, 80 or 90 per cent of the total value, or whatever coinsurance requirements call for, should be used in the library's fire policy. We must remember that the less accurate the evaluation is, the more dangerous becomes the application of the coinsurance clause with its penalty for not insuring at the required percentage of the value.

If the librarian lacks confidence in his evaluation procedure, he should insure for full value, with an 80 per cent coinsurance clause attached to leave a 20 per cent margin for inaccurate evaluation. Another solution would be the use of a Valuable Papers policy[6] which requires no coinsurance.

second method.—A.L.A. gross figures (cost price)[7] may be used as far as published. The rest of the procedure would be as in the first method, but elimination of the pricing, the first step, will save time. The rest of the collection—that is, that material for which only the A.L.A. insurance value[7] figures but not the cost price are available—would have to be priced as in the first method.

third method.—A.L.A. figures for insurance values are used. Only the cost of preparation need be added.

fourth method.—A book count is made. Then the accession records are examined to find representative percentages of very expensive, medium priced, and inexpensive books bought within the last few years. An average is struck and multiplied by the total number of books to be insured. Binding and cataloging costs are estimated for the whole collection.

[6]Chapter 7, p. 63 ff.
[7]Page 30.

All of these procedures may appear more difficult than they are. However, they seem complicated only to librarians who do not use statistical records and modern cost accounting methods in their libraries. Records and statistics are needed to obtain a reliable picture of the many library activities which can be measured in terms of time and money spent. Costs of operations, waste motion, inefficiency, and possibilities for economizing are brought to light. Resulting improvements are one advantage of such methods; the availability of basic material for evaluation procedures is another.

Therefore, if an evaluation is attempted it can easily be based on many of the records now available in libraries. It should not be necessary to follow the methods described in the last two of the four examples. Yet apparently these methods are popular ways of doing the evaluation. The danger of inaccurate evaluation procedures is obvious: if a serious loss occurs, the library may be forced to start operating again on possibly half the amount it really needs because it was inadequately insured.

Underinsurance, as has been said before, reflects the general attitude that serious losses are not expected. It is assumed that smaller losses will readily be paid, which is probably true. It is also true that serious underinsurance may not come to light unless a great loss occurs, involving a thorough investigation of the library's insurance program. Yet it is not safe to assume that "nothing much usually happens," especially where service to the public is concerned.

special collections

Our discussion of evaluation procedures has so far dealt only with the general collection, which comprises the bulk of most libraries' holdings. Different procedures are strongly recommended for special collections, rare books, and manuscripts.

Each valuable item should be individually listed and insured not under a fire policy but under an "all-risk" type of protection.[8] Values are determined with the assistance of reliable dealers and other experts. Auction catalogs, bibliographies, and other refer-

[8] See Valuable Papers policy, Chapter 7, p. 63 ff.; and Fine Arts policy, Chapter 8, p. 66 ff.

ence works must be consulted.[9] The information thus obtained should be checked with the library's own purchasing records to note changes in market values.

catalog and shelf list

The destruction of the catalog, wholly or in part, would present grave problems to any library, not only because reproduction is expensive but also because it is so time-consuming. Destruction of the shelf list would be little less than catastrophe. Even if insurance money is available to replace these two tools, a library would be so inconvenienced, not to say paralyzed, by their loss, that prevention of loss by every available protective measure is imperative.

Catalogs and shelf list should, in addition, be insured, and to be insured they must be evaluated. One of the steps given for evaluating the book collection was the determination of average cataloging costs per book. This figure could be multiplied by the size of the book collection (or, more accurately, by the number of titles represented) to give the value of the catalog contents. But this total value would not be particularly helpful if only part of the catalog were destroyed. Obviously it would not be possible to tell how many main entries or complete sets of cards had been contained in the destroyed drawers.

The value of the catalog is best calculated, therefore, in terms of unit cost per card, not per book. The procedure for estimating the number of cards in a catalog is well known. The usual method is to count the number of cards per inch, then to multiply this figure by the number of inches filled per drawer. The number of cards in each drawer is then multiplied by the number of drawers in the whole catalog.

The next step is to find the reproduction cost per card. As this figure varies greatly between individual libraries each library

[9]Mr. Donald C. Campbell in his "Insuring a Public Library's Books," *Wilson Library Bulletin,* Vol. 18 (September 1943), p. 44-47, recommends the following aids: *American Book Prices Current;* Johnson's *American First Editions;* Foley's *American Authors, 1795-1895; Trade Prices Current of American First Editions;* Blanck's *Peter Parley to Penrod;* Johnson's *High Spots of American Literature;* Evan's *American Bibliography;* De Ricci's *Book Collector's Guide;* Slater's *First Editions,* etc.

must calculate its own cost. Either a special test may be made by cataloging a number of representative books for the purpose of determining the cost, or by examining catalogers' records for an adequate period. This would show how many books were cataloged in a given time. The catalogers' time is then divided by the number of cards made and the salaries applicable to that time determined. The portion of a cataloger's salary used in making a card plus the cost of material give the unit cost per card. Varying salaries, efficiency, amount of searching done, use of Library of Congress cards, profuse or sparing use of subject headings and analytics, amount of clerical assistance—all these factors make for great differences between individual libraries.

An example will show the importance of establishing the cost of cataloging per individual card. A library using as an average six added entries per book, and therefore needing seven cards for its public catalog, would have two and one-third times as many cards per title in its catalog as a library needing only an average of three entries. The unit cost per card in the first library would be comparatively cheaper, as the secondary entries are reproduced by clerical help. Therefore, the total number of cards in a catalog gives no accurate idea, by itself, of the value of that catalog, so that unit costs can never be based on a generally used estimate.

Of course, if the catalog is separately insured, cataloging costs per book need not be added to the book cost for insurance purposes. If part of the book collection is destroyed while the catalog remains intact, little cataloging is required for the books replacing the lost ones. If on the other hand, part of the catalog is destroyed while the whole book collection is undamaged the cost of cataloging, based on unit cost per card, would be paid for under the insurance of the catalog. Yet there is this loophole in the insurance coverage: If books are destroyed for which catalog cards remain in undamaged condition (no loss to the catalog), there may be at least some cataloging necessary before the new books can be added to the collection. In many cases, for instance, the same edition will not be available as that to which the catalog card applies, or the destroyed book may be out of print. These cases, requiring cataloging of the new books, would not be covered by the insurance on the catalog because the catalog remained

intact. To make insurance available for these situations, one could estimate that percentage of the collection which is most likely to be replaced by other titles in case of loss. For this percentage the cost of cataloging per book could be determined and insured. Or one might possibly arrange to take out insurance for a loss in value of the catalog, caused by the destruction of books. In other words, that sum which the catalog loses in value—though it remains physically intact itself—could be insured.

Some examples will show how insurance affords restoration in case of loss:

(1) Part of the book collection is destroyed but the catalog remains intact. *Result:* Collect insurance on the books only, including the amount needed for mechanical preparation for the shelves.

(2) Books and all of the catalog are destroyed. *Result:* Collect insurance on books plus cost of restoration of the catalog.

(3) No books are lost but the catalog is partly destroyed. *Result:* Collect cost of reproducing the destroyed cards—that is, multiply the number of cards destroyed by the unit cost per card. If the majority of cards are — though not usable — still recognizable, restoration will be possible. The problem would be difficult if a number of drawers were destroyed beyond recognition. It is relatively easy to tell how many cards have been there, but which cards and what proportion of main to secondary entries is another question. It is possible to deduce from surrounding drawers what subject headings had been in the destroyed drawers and what part of the alphabet is now missing. It will, however, be impossible to determine the number of main, title, and other entries. In this case, immediate restoration will not be possible. Still, through the pre-established unit cost per card, the library will at least be in a position to estimate its loss and be reimbursed.

If catalogs and shelf list are microfilmed, the cost of insurance is, of course, greatly reduced. Reproduction costs are much lower as only clerical help is needed for this process. Moreover, the time needed for complete restoration of these vital tools will be a fraction of that needed by complete recataloging. A careful comparison of costs should therefore be made before a decision on the insurance of catalogs and shelf list is made. For many

libraries, particularly those with their own photographic division, the cost of microfilming, with subsequent insurance of film reproduction, will be much less than the cost of insuring a complete recataloging of their collection.

2. individual policies

6. *fire insurance and similar policies*

protection against direct losses

At the time an insurance policy is taken out, the insured should know just what type of losses will be paid for by the company under the terms of the policy. Each policy will cover only those specific perils against which it was designed to protect. Furthermore, the loss sustained must have happened to the property which was insured under the policy.

Fire policies and those similar in type, as Sprinkler Leakage or Water Damage policies, contain definitions stating clearly what they are intended to cover. Their purpose is to indemnify the insured for financial losses caused directly by the specific peril or perils against which the property was insured. In other words, fire, water, or whatever is the specific peril must have been directly responsible for the loss.

It may also happen that because of a fire or other peril, another, more remote loss occurs—that is, an indirect loss. For example, losing the use of destroyed premises might cause the extra expense of higher rent in new quarters. None of these indirect losses are covered under the Fire, the Sprinkler Leakage, etc., policies. Most of them are, however, insurable by additional policies or by endorsements to the basic policy. Insurance against indirect losses will be described later.[1]

fire insurance

All property located within any one state can be insured against fire only under the one policy which has been designated for use in that state. This means that the basic Fire policy in a given state is a *standard policy*. The standard policy in a majority of states today is either a copy or a modification of the revised Fire policy

[1]Page 59 ff.

enacted by the New York State legislature in 1943. The remaining states now use either similar policies[2] or policies modeled after one of the older New York policies, which were enacted in 1886 and in 1918.

The library administrator must be familiar with the provisions of the fire policy used in his state, if he is to know which fire losses are insured against and which are excluded and may still require coverage by endorsement or additional policies.

Some of the important provisions, such as the Pro Rata Liability and Pro Rata Distribution clauses, have been explained before, as well as the Coinsurance clause, which is often used in fire insurance though not printed in the policy itself.[3]

The New York State Fire policy (and most others) covers "against all direct loss by fire, lightning[4] and by removal from premises endangered by the perils insured against . . . to the property described . . . ." It is the duty of the insured to protect his property when a peril threatens or occurs. A loss sustained while the insured is fulfilling his duty to remove endangered property to a place of safety is therefore covered. This means that although insurance is provided only for the location named in the policy, protection is, for a stated period of time, also granted at another location to which the endangered property has been removed. As it is also the duty of the insured to minimize the effects of a fire, losses caused by fire-fighting apparatus, chemicals, or water employed to extinguish the flames are insured. While a fire is in progress, water released from a sprinkler system or pouring from the fire hose often causes additional damage. This is still a direct result of the fire, just as steam or smoke developing from it are, and coverage is given.

The policy lists the perils and the types of property which are excluded from coverage, as well as the items that must be specifically included in order to be covered. Circumstances which may suspend coverage or void the policy are listed, and procedures to be followed in case of loss are explained. All these limitations

[2]E.g., Massachusetts and other New England states; California, Texas, etc.

[3]Cf. p. 20.

[4]Some of the older types of policies exclude losses caused by lightning, though the forms accompanying them usually allow for this coverage.

and procedures must be understood to secure proper settlement in case of loss.

forms.—The standard fire policy applies to every risk—that is, to every type of property that can be insured. The basic coverage which it provides is adapted to each type of property by special provisions contained in forms attached to the policy. There are building forms, contents forms, forms for stock, furniture and fixtures, and so on. The policy itself is considered a skeleton only, providing the basic coverage and giving permission that the various forms may be attached to fit the individual case. These forms are not standard, as is the policy itself, but vary from territory to territory according to the rulings of the different rating organizations.

One principle applying to all forms is that they must not be inconsistent with or contradictory to the intent and purpose of the policy to which they belong.

To each policy there is attached at least one form, modifying and supplementing its provisions. This form names the kind or kinds of property covered and contains the special clauses, rules, and regulations which define the coverage of the property in question.

Usually companies are willing to make changes and additions in the printed forms, if necessary, in order to give the insured adequate protection. These changes must of course be in conformity with the regulations in force in each territory.

building forms.—Every purpose for which a building can be used[5] is covered by a special building form: there are forms for private dwellings, mercantile buildings, public buildings, and even for libraries in particular.[6]

A building form identifies; it locates and describes the insured property exactly. Mention is made of the number of buildings, the type of construction, etc. New buildings added after the policy is issued are not automatically covered unless special provision is made beforehand.

Besides describing the building proper, forms contain an enumeration of other property which is incidental to the build-

[5]Including special cases where a building is in the process of construction.

[6]A reproduction of the insurance form which has been adapted to the needs of the Haverhill, Massachusetts Public Library faces p. 64.

ing, its maintenance and service, and which is therefore insured under the building form. In this category belong certain types of machinery, such as heating and ventilating systems, including boilers, and such equipment as screens, storm doors, awnings, and similar items. The steel stacks, built-in desks, and seats which are incidental to a library building should also be included.[7]

Building forms ordinarily do not cover foundations and piers, or structures below the undersurface of the lowest basement floor. These are not likely to be damaged by fire, and their inclusion in the insurance coverage would therefore make unnecessarily high the total value and hence the cost. For the same reason, cost of excavation is generally excluded.

The building rate is lower than the contents rate. Therefore, as much as is possible is usually insured with the building rather than with the contents. This, however, should be noted: Although it is desirable to get insurance at the lowest possible rate, it is still more important to make sure that everything is properly covered and will be paid for in case of loss. Wherever it appears doubtful whether certain items should be considered part of the building or part of the contents, the case should be discussed with the insurance company. Never should the value of such items be included in the building value without the company's knowledge, with the expectation that the company will pay for them in case of loss. Any procedure other than that recommended here could result in disappointment. At the time of a loss it might be found that the building was overinsured while the contents were underinsured, and accordingly the library would not receive adequate payment for the loss.

The case of steel stacks may serve as an example. Some insurance companies have regarded steel stacks as belonging to the contents of a library if they were comparatively easy to remove. Others have recognized that they are incidental to a library building, inasmuch as a library building cannot be used for that purpose unless it has stacks.

Permanent additions to the building, which the library installed when moving in, or afterwards, constitute so-called improvements and betterments.

[7] *See* below.

improvements and betterments.—This term refers to all permanent additions or structural changes made to a building[8] which enhance its value or make it particularly suitable for a certain occupancy. If, for instance, the library has added several windows, which make the building much better fitted for library use by providing adequate reading light, this improvement would naturally be included in the building coverage. The cost of such a change will be added to the building value. Where a library operates in a rented building, the situation is different and will be explained under Contents Forms.[9]

Other clauses in the building form which are of importance to libraries are:

vacancy and unoccupancy permit.—While the standard fire policy expressly provides that a building may be vacant or unoccupied for a stated length of time only, the building form usually contains a special permit extending such time, or even granting unlimited time for vacancy and unoccupancy. The term "vacancy" means that a building is completely empty, that is, not in a state to be used for the purpose it is intended for. "Unoccupancy" exists when the contents, furniture and other, remain in the building though its occupants are not there.

work and materials clause.—The fire policy suspends coverage while the hazard—within the control of the insured—is increased. Operations requiring the use of inflammable materials constitute such an increased hazard. The Work and Materials clause gives permission to engage in such work and to keep in the building the material incidental to its occupancy.

Libraries with their own binderies or with a photographic division will make use of this clause by obtaining permission from the company—in some cases also from the fire department—to use certain material in the course of their operations. Whenever special permits are needed they should be obtained in writing.[10]

alterations and repairs permit.—Alterations and repairs may

[8]That is, such alterations which cannot be taken out again without damage to either the building or themselves.

[9]Page 49.

[10]That is, if there is any doubt whether such operations would actually be covered by the application of this clause.

sometimes constitute an increase in hazard too. Coverage is therefore restricted under the basic policy. A special permit in the form allows the conduct of such work.

coverage of additional costs.—It is possible to include in the insurance covering a building the cost of plans and of engineers' and architects' fees, as well as the cost of removing debris after a loss. In the case of a library building this provision is particularly important since this type of building is usually designed by expensive specialists.

warranty for upkeep of sprinkler system.—If the fire rate for a building is lowered because of an automatic sprinkler system which reduces the fire hazard, such a system must be kept in good condition. An Automatic Sprinkler clause is attached, containing a warranty of the insured that he will keep this installation in good working order at all times, provided such upkeep is under his control. Different clauses are in use in various territories and their stipulations must be carefully observed.

mortgagee clauses.—The standard policy contains special provisions in case the insured building is mortgaged. A broader protection is provided for the mortgagee than for the insured, the general principle being that the mortgagee shall not be deprived of his insurance coverage if the insured neglects some of the duties imposed upon him by the policy. Some mortgagee clauses may be attached to the policy covering the building, depending on the individual situation. The rights of the mortgagee should be known to the insured and the clauses pertaining to these rights studied.

contents forms.—Contents forms are attached to a policy to cover furniture, fixtures, books, and all library property which is not covered under the building form. For property housed in a rented building, a library would have only a contents form attached to its fire policy or policies. The contents form contains a description of the type of contents it is designed to cover. Types and kinds of contents should be broadly described but no detailed enumeration of every item attempted. Some forms referring to library contents give a long list of items, large and small. Such a procedure is not recommended, as some items are almost

certain to be omitted and would then not be covered.[11] If general inclusive terms are chosen, as "all contents pertaining to or being used for the operations of a library," no such omissions are possible.

The clauses contained in a contents form vary according to territory. The following are some of those applicable to library contents:

automatic coverage of additions.—At the time a fire policy is taken out, the amount of insurance needed is based on the then existing values. This amount of insurance, expressed in the face amount of the policy, is the limit of the company's liability in case of a loss. Naturally, additions will often be made during the term of the policy, increasing the total value of the contents. This would bring about the danger of underinsurance unless the policy is constantly adjusted. Such a situation can in some territories be met by a special provision taking care of the increased values. A clause may be added which states that additions made after the policy is in effect shall be automatically covered for a stated length of time. Before this time limit expires the company has to be notified and an additional premium paid. Two limitations are usually incorporated in such a clause; one refers to the length of time during which the automatic coverage will be granted until notification of the company becomes necessary; the other refers to the amount of increases automatically insurable during this time. To give an example: Additions in value exceeding the amount of insurance under a policy shall be automatically covered for a period up to sixty days, the limit of such additional values being $10,000. The insured assumes the responsibility of notifying the company within these sixty days and agrees to pay an additional premium to cover the increased protection.

inclusion of cost of labor permitted.—Contents forms usually provide that the cost of labor performed is to be added to the cost of stock. The main stock of a library consists of books, and the

[11]An enumeration of specific items may be necessary in some cases where the policy itself states that they are insured only if specifically mentioned (so-called Excepted Property). As a rule, however, the forms allow for inclusion of such items.

labor performed on them consists mainly of preparation for the shelves, cataloging, mending, and binding. The cost of these operations is therefore to be added to the book cost. This should not however be done without the company's agreement. Companies have in some cases not immediately recognized that the cost of these procedures is a legitimate "cost of labor" expense, but have considered it an overhead expenditure which is not included in the insurance coverage. A written agreement defining legitimate cost of labor expenses will eliminate dispute and resulting dissatisfaction in case of a loss.

To go one step further: The contents form might well include a clause stating that the evaluation procedure described in full, has been agreed upon by the library and the company. Such a clause would settle once and for all those questions which may arise concerning evaluation methods and the inclusion of various costs.

coverage for property of others.—It is usual for libraries to have on their premises books or other property belonging to others, such as material on approval, on interlibrary loan, for exhibition, and similar purposes. Forms cover this contingency by stating that the interest of the insured in, or his legal liability for, property of others is included in the coverage. If such property is otherwise insured, the coverage under this clause does not apply because the owners of the property can collect under their own policies.

coverage of employees' property.—This clause specifically includes the coverage of employees' personal effects and wearing apparel while these are on the premises. Even if the accumulation of such values is not great, it will be important to the individual employee to know that in the event of fire his belongings in the building are covered under the library's fire insurance.

improvements and betterments. — If a library operates in rented quarters and installs improvements and betterments, the library administrators will want to insure them. Under the terms of the lease, these improvements and betterments will usually become the property of the landlord when the lease expires. For insurance purposes, however, the tenant is considered the sole and unconditional owner of the improvements and betterments,

and can, as such, insure them in his own name. As the contents rate is higher than the building rate, a special rate can in some territories be secured to insure improvements and betterments. Usually the value of the improvements and betterments must be sufficiently high to warrant this special rate.

uniformity of policies.—If the library is insured under a number of fire policies, all should be uniformly written. This means that the policies should be either all *blanket* policies (covering in one amount either several buildings or a building as well as its contents) or all *specific* policies (covering building and contents in separate amounts). In no case should blanket and specific insurance cover the same property. Such a situation is called "nonconcurrency" and requires complicated procedures in case of loss to arrive at the proper apportionment of each policy's liability. The extremely technical details of these procedures will not interest librarians but the problem should be known to them.

extended coverage endorsement. — The Extended Coverage Endorsement insures against the perils of: windstorm, hail; explosion; riot, riot attending a strike, civil commotion; aircraft and vehicle; smoke. The addition of this endorsement makes the insurance coverage more comprehensive. It provides for payment of losses originating from the perils listed. The extra cost of this endorsement is negligible—much less than the total cost of special policies covering each peril separately—and more than warranted by the additional protection it provides.

Losses sometimes occur in such a manner that it is difficult to determine how much damage is, for instance, due to fire, how much to explosion. If these perils were covered by separate policies with different companies, there would be disagreement about the degree to which each company is liable. Disputes do not arise when the extended coverage endorsement is issued by the company writing the fire policy.

A reduction of the already low premium by eliminating one or the other of the insured perils is not possible. The contract is based on insurance of a group of perils and can be had only as a unit.

The extended coverage endorsement applies for the same

amount and period of time as does the basic fire policy. If attached during the term of an already existing fire policy, it must be written for the same amount and be made to expire at the same time as the policy. Accordingly, no separate cancellation is usually possible; the nature of the endorsement is that of a supplemental contract to which the terms and conditions of the basic policy apply.

There are two important clauses in the extended coverage endorsement, the Apportionment clause and the Glass clause.

apportionment clause.—This clause stipulates how payment is apportioned among companies in case of a loss. A company writing the extended coverage endorsement with a fire policy shall not be liable for a greater proportion of any loss or damage, caused by any of the perils covered by the endorsement, than the amount of insurance under the policy bears to the whole amount of fire insurance covering the property, whether such other insurance is valid (or collectible) or not. An example illustrates this:

A library owns property valued at $400,000 and carries four fire policies:

Policy A (with extended coverage endorsement) for	$100,000
Policy B (with extended coverage endorsement) for	100,000
Policy C (with extended coverage endorsement) for	100,000
Policy D (with extended coverage endorsement) for	100,000
Total amount of insurance	$400,000

A smoke damage occurs, which is covered according to the provisions of the extended coverage endorsement. The damage amounts to $40,000. Each company pays that proportion of the loss which the amount of insurance carried with it bears to the total amount of all fire insurance, that is, since each company carried one fourth of the insurance each pays one fourth of the loss or $10,000.

If only one or two of the fire policies covering the property had the extended coverage endorsement attached, the same principle applies. The same example is used with the following modifications:

Policy A (with extended coverage endorsement)	$100,000
Policy B (with extended coverage endorsement)	100,000
Policy C (without extended coverage endorsement)	100,000
Policy D (without extended coverage endorsement)	100,000
Total	$400,000

In this case, the $40,000 smoke damage is not wholly covered, because

Company A pays one fourth of the loss, i.e.,	$10,000
Company B pays one fourth of the loss, i.e.,	10,000
Company C pays nothing	......
Company D pays nothing	......
Total amount paid	$20,000
that is, only 50 per cent of the loss	

This apportionment clause also applies when a peril included in the endorsement is covered by a separate policy—a Windstorm policy, for example. Should a storm loss occur, the amount recoverable under the extended coverage endorsement is proportionately smaller, whether the company issuing the windstorm policy pays its share of the loss or not.

glass clause.—Some libraries own buildings containing valuable windows or other items made of or containing plate, stained, leaded, or cathedral glass. The extended coverage endorsement contains a clause referring specifically to this glass, providing that "only such proportion of the insurance under this policy on any building covers . . . glass therein, as the value of such glass which is damaged bears to the total value of said building." This means that if the fire policy with its extended coverage endorsement is for less than 100 per cent of the value of the building including valuable glass, a total loss of the glass alone from windstorm, hail, etc., would not be recoverable in full.

To give an example:

The value of a library building is	$100,000
$10,000 of which represents the value of some stained glass windows.	
The library carries a fire policy (with extended coverage endorsement) in the amount of $80,000 in accordance with the requirements of the 80 per cent coinsurance clause. A heavy windstorm totally destroys the stained glass windows, confronting the library with a loss of	$ 10,000
According to the glass clause, only that proportion of the policy amount applies to the stained glass windows which the value of the glass ($10,000) bears to the total value of the building ($100,000), i.e., one tenth, or	$ 8,000

This shows that the library would be left with a loss of $2,000 for which it could not collect. Clearly, compliance with coinsurance requirements for less than 100 per cent does not provide adequate protection for libraries containing valuable glass. Such libraries should either attach a 100 per cent coinsurance clause to their fire policy or take out a Fine Arts policy or a Glass policy[12] instead.

The glass clause does not refer to other types of glass than the ones enumerated. Windows, skylights, transoms, etc., containing sheet glass would not be affected by these provisions.

The extent of protection afforded for the specific perils named in the extended coverage endorsement will be taken up one by one.

windstorm and hail.—The following exclusions are important: No coverage is afforded for losses to the interior of a building, or insured property therein, due to snowstorm, frost or cold weather, tidal wave, high water, overflow, rain, snow, sand, or dust if this building is undamaged. If, however, the building is damaged first by windstorm or hail, and then rain, snow, sand, or dust come in through the defective walls or roof, coverage is given.

Only by special endorsement can the following losses be covered: "Damage to . . . cloth awnings,[13] signs, . . . temporary or board roof additions, or loss to a building in course of construction or reconstruction (or its contents) unless such building is entirely enclosed and under roof, with all outside doors and windows permanently in place."

explosion.—The following types of explosion are specifically excluded from the coverage: Explosions originating within steam boilers, steam pipes, steam turbines, steam engines, or fly-wheels located in the insured building or a building containing insured property. As will be seen later on,[14] a specific Steam Boiler and Machinery Explosion insurance is available. The exclusion of

[12]While the basic glass policy excludes fire losses, it may be extended to cover all risk on certain kinds of valuable glass, cf. p. 74 ff.

[13]No endorsement is needed if the building forms assume coverage for awnings, cf. p. 45.

[14]Page 75 ff.

steam boiler explosions in the extended coverage endorsement does not refer to so-called "furnace" explosions, which originate within the furnace box of a steam boiler.

riot, riot attending a strike, civil commotion.—The coverage reimburses for all direct loss caused by any of the three perils, including pillage or looting occurring at the scene of a riot, etc. Also covered are losses which striking employees of the insured property inflict upon it while occupying these premises.

Excluded are losses resulting from a change in temperature or from an interruption of operations, even though such losses arise from riot, strike, occupancy by striking employees, or civil commotion. If a library's building employees are on strike, for example, and the property is damaged because no heat is provided, this damage would not be covered.

A special endorsement may also be added to the policy to insure against losses caused by *Vandalism* and *Malicious Mischief*.[15] Usually this endorsement excludes payment for glass, constituting part of the building; payment for losses caused by pilferage, theft, burglary, and larceny; and for steam boiler explosion if caused by vandalism. The provisions regarding time limits for vacancy are usually more restricted than those in the fire policy—that is, shorter periods for vacancy or unoccupancy are permitted in the Vandalism and Malicious Mischief endorsement.

aircraft and vehicle.—Loss or damage from aircraft means destruction caused by a crashing plane or by objects falling from a plane. The term "vehicle" is interpreted to mean vehicles running on land or on tracks. Losses caused by vehicles owned or operated by the insured or by a tenant of the insured premises are not covered. Nor is the company liable for losses to vehicles, fences, driveways, sidewalks, or lawns. Losses to aircraft are also excluded.

smoke.—This refers to smoke "due to a sudden, unusual, and faulty operation of any heating or cooking unit, only when such unit is connected to a chimney by a smoke pipe, and while in or on the insured premises." The term does not mean smoke from fireplaces or industrial apparatus.

[15]I.e., "wilful or malicious physical injury to or destruction of the described property."

sprinkler leakage insurance

We have seen that the fire policy covers losses from fire and losses caused by water or chemicals employed to extinguish fire. To fight fire efficiently, many buildings are equipped with sprinkler systems. Their use, however, introduces specific new dangers and therefore chances of loss, which are not covered under a fire policy. If a sprinkler system "accidentally" discharges water (i.e., when no fire occurs), the fire policy does not cover the loss caused by it. Yet this water damage means an even greater loss to a library than fire.

An accidental discharge of water from the sprinkler system can happen under various circumstances:

The sprinkler system may be defective.

Excessive heat may cause the release of water from the system. Sprinkler heads are designed to open and discharge water when a certain temperature has been reached. If ventilating or heating systems in the building do not function properly, the temperature may rise above this critical point, causing a sprinkler leakage damage.

Severe cold weather may cause the water to freeze and burst the pipes. This could easily happen during the winter over long weekends or holidays when some libraries remain closed and unheated.

A Sprinkler Leakage insurance policy would be necessary to cover these cases.

Sprinkler leakage, as defined in the policy, means leakage or accidental discharge of water or other substance from within the automatic sprinkler system, resulting in loss or damage to the insured property. Ordinarily the policy is intended to cover only loss from automatic sprinkler systems,[16] but this coverage may also be had for loss from nonautomatic systems, hydrants, standpipes, or hose outlets connected with the automatic system if a special endorsement is added. Damage to the sprinkler system itself may also be insured by endorsement (the policy itself excludes it). Other typical exclusions are: seepage or leakage of

[16]Including all parts connected therewith, as sprinkler heads, pipes, valves, fittings, tanks (including their fall or collapse), pumps, and all private fire protection mains.

water through building walls, foundations, sidewalks; deposits or condensations on the system itself; floods; backing up of sewers or drains and influx of tide water or water from other sources than the sprinkler system.

A mandatory property damage form is attached to the sprinkler leakage policy, specifying various amounts of insurance which shall be applicable to different sections in the form. These amounts apply to such items as: building and contents (the latter including insurance for the interest of the insured in or his legal liability for property of others held by him); improvements and betterments on the building; contents separately listed; and cost of certain specified repairs of the sprinkler system. The last named coverage is written on a $25 deductible basis.[17]

This form also refers to the application of coinsurance with regard to the different sections. The limits for coinsurance are usually optional under the policy. The higher (or lower) the coinsurance percentage chosen, the lower (or higher) the insurance rates. Usually a coinsurance percentage of 25 per cent affords a rate reduction of 80 per cent.

The amount of insurance needed is determined by estimating the largest possible sprinkler leakage loss. The proportion which this amount bears to the total value of the building equals the appropriate coinsurance percentage. If, for example, the value of the building is $200,000, and the amount of the largest possible sprinkler leakage loss is $50,000, the appropriate coinsurance percentage would be 25 per cent.

Sprinkler leakage causing damage to third persons through the negligence of the owner makes him liable to those third persons. A special Sprinkler Leakage Legal Liability insurance may be bought to protect the owner for this contingency.

water damage insurance

Sprinkler Leakage and Water Damage insurance complement each other; their coverage does not overlap. The two policies contain similar types of clauses and are similarly constructed.

Insurance is provided against direct loss caused solely by the

[17]Deductible basis means that the insured agrees to pay smaller repairs up to a stated amount himself (for which a reduction in the rate is granted).

accidental discharge, leakage, or overflow of water or steam from: plumbing systems or tanks, heating systems, elevator tanks and cylinders, stand pipes for fire hose, industrial or domestic appliances, refrigerating and air conditioning systems. All of these are excluded under the sprinkler leakage policy. The typical sprinkler leakage loss, on the other hand, is not covered under this policy.

Water Damage insurance provides also for losses caused by rain or snow admitted directly to the interior of the building through defective roofs, leaders, or spouting, or by open or defective doors, windows, show windows, skylights, transoms, or ventilators.

If a water damage loss occurs through accidental discharge from any of the enumerated appliances or apparatus, damage to either the appliances or the apparatus is not covered. The only exception is collapse of tanks, for which coverage is specifically assumed. Other important exclusions under this policy are similar to those named in the sprinkler leakage policy: seepage and leakage through building walls, foundations, etc., floods, inundation, backing up of sewers or drains, and tide. Additional exclusions are losses caused by gases, fumes, or vapors, by rising temperature, and by explosion. Some of these exclusions can be eliminated by payment of an additional premium.

As in the sprinkler leakage policy, a property damage form is attached, distributing the insurance over various sections, and a special form is available to cover the legal liability of the insured.

earthquake insurance

Earthquake hazards are concentrated in specific regions, unlike fire hazards where risks are spread all over the country. For rating purposes, zone divisions have been established, the Pacific Coast being in a zone by itself. Ratings for earthquake insurance are also based on type of buildings according to construction, foundation, and material used.

The Earthquake policy covers direct loss or damage caused by earthquake or volcanic eruption and also losses caused by removal of the contents from premises endangered by these perils. Excluded are loss or damage (even though incidental to earthquake or volcanic eruption) caused by wind, tidal wave, frost, cold

weather, explosion, lightning, high water, overflow, or cloudburst, and other specific circumstances enumerated in the policy. If rain, snow, or hail get into the building through openings in the roof or walls, this damage is covered only if the openings were the result of an earthquake or volcanic eruption.

If fire damage also occurs, the following exception is important: Liability is usually not assumed for fire losses, even if the fire loss was caused by an earthquake. The Fire policy pays for such losses and the Earthquake policy need not and does not pay for the same loss. Fire losses are covered under earthquake policies, however, if a fire policy is used containing a Fall-of-Building clause. This clause has been eliminated from most modern fire policies but is still contained in some of the older ones used in a few states. This clause states that no fire insurance applies if the building or a material part of it falls from any cause except fire. The Fire policy does not pay if the building falls because of an earthquake and a fire results. In this case the Earthquake policy assumes the resulting fire loss. As it will not always be easy to determine if a loss is caused by a fire or an earthquake if both occur, fire and earthquake hazards are best insured with the same company.

depreciation insurance

Under most fire policies property is insured for its actual cash value. This term, as we have already seen, means replacement cost at the time of loss, less depreciation. The principle underlying this kind of indemnification is the idea that old and depreciated property should not be paid for—in case of loss—as if it were new.

The insured, however, will not always be able to replace his destroyed property with other property in exactly the same stage of depreciation. In most cases he will be forced to replace old with new; he has no other choice. He will then suffer a greater financial loss than he can be compensated for under his fire policy. Let us assume that a wooden staircase burns out in a library. More likely than not the library will have to put in a new one, because a secondhand one is not available in that size and shape.

To cover the insured for such losses, Depreciation insurance can sometimes be taken out. An endorsement is added to the fire policy, or a separate policy is written to indemnify the insured for the amount by which the replacement cost exceeds the actual cash value less depreciation.

This type of insurance is not always available. Companies hesitate to write it because it introduces a certain moral hazard: the insured will often gain by depreciation insurance, that is, be better off than before, while nothing more than indemnification is the purpose of insurance. Where this type of insurance is at all available, however, a library would hardly be refused.

Usually depreciation insurance may be had only if replacement is actually undertaken; for instance, if a building is reconstructed on the same site. Not covered are higher costs of construction caused by compliance with building code regulations, etc. If the erection of frame buildings is prohibited, a more expensive type of brick construction may have to be erected to replace a destroyed frame building. This additional cost is not covered by depreciation insurance. Various kinds of Demolition insurance may be bought instead.

protection against indirect losses

So-called indirect losses occur when—as a consequence of fire, water, or other damage—losses are suffered in addition to those previously discussed. Such indirect losses must be separately insured. Librarians should be familiar with the following:

rent and rental value insurance

Three examples will illustrate three different situations where this type of indirect loss occurs.

(1) The library owns a building, one floor of which has been rented as offices. A fire occurs, making the use of the offices impossible. While this part of the premises is being repaired, the tenant, forced to close temporarily, does not have to pay rent to the library, according to the terms of his lease. This loss of rental income to the library can be insured against.

(2) The library owns and occupies a building which is heavily damaged by fire. During the time of restoration, the library loses

the use of its premises and carries on in other quarters where rent must be paid. This loss of use can be insured against.

(3) The library occupies a building as tenant. The building is damaged and the library has to transfer its operations to different premises. The library's lease does not exempt it from rent payment during this emergency. The library would then have to pay rent on two locations. This extra rent payment can be insured against.

Rent or Rental Value insurance provides for all three contingencies. Rental value means the determined rental of the destroyed premises less charges that do not necessarily continue. That is, the owner must deduct from the insurable value the cost of heat, light, telephone and similar expenses which stop when the building becomes untenantable. The amount payable for a loss of this kind is the net rent for the destroyed quarters from the time the loss occurs until such time as restoration is, with reasonable diligence and dispatch, completed. The amount of insurance may be based either on the net annual rental of the premises or on the net rental for the time required to rebuild the premises if losses can be replaced in less than a year. Various forms are used to take care of different situations, depending on whether the premises are occupied or vacant. Rating organizations issue a variety of forms, and the library's insurance adviser will recommend the one best fitted for the library if the need for this type of insurance exists.

leasehold insurance

Destruction of premises by fire, etc., causes a still greater loss when a tenant has a particularly advantageous lease which cannot be duplicated elsewhere without paying a much higher rental. Some examples will explain this:

(1) The neighborhood, in which a library operating in rented premises is situated, has during the term of the lease acquired greatly improved transportation facilities. The result is a greater demand for houses and consequently higher rentals for this neighborhood.

(2) Building activities have increased since the premises were occupied by the library; stores and community centers have been

newly erected, producing the same increase in rents as the improved transportation facilities.

(3) Elimination of slum areas, creation of parks, and other recreational facilities have greatly improved the neighborhood, resulting in increased rents.

These examples show that during the term of a lease its value to the tenant may increase considerably so that its premature termination through a fire or other disaster would mean an additional expense. This additional expense is the difference in price between the old favorable lease and a new, more expensive one. This difference in price is called the amount of leasehold interest and the tenant can insure it.

The amount necessary to cover such a difference between two leases must be carefully considered. While the old lease is running, the leasehold interest—other things being equal—is decreasing from year to year and from month to month. At the beginning of the lease the leasehold interest is highest, because the tenant has the maximum time before him which, in terms of rent payments, means a considerable saving to him over the course of years. As the lease gradually draws toward its termination, the leasehold interest of the tenant becomes smaller and smaller, until at the time of the termination of the lease it is nil, unless he has an option to renew the lease. To give an example:

A ten-year lease is signed. The annual rental is.	$ 3,000	
The total rent for the ten years would be........		$ 30,000
After one year, rents go up in the neighborhood, and the premises, were it not for the long-term lease, would now have an annual rental value of. .	$ 3,500	
which, for the remaining nine years of the lease, would amount to............................		$ 31,500
After one year, the tenant will therefore be paying $500 a year less than he would be paying under a new lease. For the remaining nine years the saving would amount to......................		$ 4,500
After two years, the saving would still be $4,000, while at the beginning of the tenth year, there would be left a saving of $500 for the tenth year. The tenant's leasehold interest at the beginning of		

> the tenth year is therefore only a fraction of his initial leasehold interest, that is, $500 as compared with $4,500 at the beginning of the second year.

The amount of leasehold interest—the sum to be insured—is arrived at by computing the average leasehold interest. First the leasehold interest at the inception date of the policy is computed, then the leasehold interest left one month before the policy expires; the two figures are added and divided by two to find the average leasehold interest during the term of the policy.

When loss payments are made, this procedure is followed: The insured is paid a lump sum for his loss of leasehold interest although under a lease he would have had to pay in monthly amounts only. During the term of a long lease this certainly makes a difference if interest is taken into consideration. Usually, a computation of the accumulated interest—at 4 per cent—is made, and this amount is deducted from the lump sum paid in case of loss.

extra expense insurance

Indirect losses besides those insurable under a Rent or a Leasehold policy may occur if, because of a fire, a library cannot function properly unless it incurs additional expenses. If, for instance, binding and mending, usually done on the library premises, cannot be accomplished at the new temporary quarters this work must be sent out at extra expense.

Extra expense policies pay for these additional costs. The amount of indemnity is based on the extra expenses incurred each month during the time needed to restore the damaged property. As soon as is practical, normal operations should be resumed. The insured can choose monthly limits and pay his premium accordingly. A twelve month period is usually considered the maximum time needed for restoration, but if necessary this time limit can be extended.

unearned premium insurance

After a fire or similar peril destroys insured property and the loss is settled, these questions arise: How much of the insurance has been used? How much, if any, is still left under the policy?

In case of a total loss nothing will be left, as the face amount of the policy will have been paid to the insured.

In case of a partial loss, the amount of loss paid is deducted from the face amount of the policy, and an additional premium has to be paid to restore the initial coverage.[18]

In either case considerable premium losses are suffered under long-term policies if a loss occurs shortly after the policies are taken out.

Such premium losses would be likely to offset the advantages gained by long-term policies unless they are insured under unearned premium insurance.

Let us take the case of a five-year fire policy for which a premium of $4,000 has been paid. If a total loss occurs after one year, the whole $4,000 premium is lost, while under normal conditions it would have lasted for another four years.

Under Unearned Premium insurance it is possible to collect that part of the premium which was not already earned (by lapse of time) when the loss occurred. As the premium paid for this type of insurance is negligible, the policy should be taken out at least in such cases where large premiums are at stake so that a serious upset of the library's insurance budget can be avoided.

7. *valuable papers policy*

Comparatively few libraries insure their book collection under a Valuable Papers policy, which is ideally suited for library needs. The reason may be that the term "valuable papers" is misleading: it suggests items of great rarity and value only. Actually the whole library collection can be insured under this policy.

All-risk protection is given. This means that loss or damage from almost any cause is covered, including fire, water, theft, or

[18]In case of small losses, the policy amount is usually not reduced and no additional premium is required.

other destruction. There are few exclusions: wear and tear, deterioration, vermin, misplacement or mysterious disappearance, and war hazard. Even misplacement and mysterious disappearance can sometimes be covered under this policy.

coverage.—All books and records owned by the library are covered. This includes two major groups:

(1) The library collection, comprising books, manuscripts, maps, drawings, musical scores, phonograph records, and similar material.

(2) Office files, payroll accounts, acquisition records, shelf lists, catalogs, etc.

Not insurable are currency and checks.

how the coverage applies.—The policy provides for two sections under which the property can be insured, one giving specific and one blanket coverage.

Specific: The more valuable possessions of the library are included in this section. Each valuable book or manuscript, or the catalogs and shelf list, is individually listed and valued.

Blanket: A lump sum is provided for the bulk of the collection and miscellaneous office and other records. A limit constituting the maximum amount payable for any one item is specified. This limit is 5 per cent of the lump sum or $5,000, whichever is less.

where the coverage applies.—The policy may be written to cover:

(1) Inside the premises only. If this is done, 10 per cent of the total amount of insurance[1] or $5,000, whichever is less, may still be applied to cover outside the premises.

(2) Anywhere within the United States and Canada, but no insurance applies while the property is in the hands of a railroad, post office, or other carrier. Transportation or Parcel Post insurance[2] is available for such cases; in addition, the library has a claim against the carrier in case of loss.

(3) If coverage under (1) does not seem sufficient for outside protection, and coverage under (2) does not seem necessary, the outside protection under (1) can be had in higher amounts for an additional premium.

[1]I.e., the amount of the combined blanket and specific insurance.
[2]Cf. p. 68 ff.

TRUSTEES OF HAVERHILL PUBLIC LIBRARY

HAVERHILL, MASS.

Payable in case of loss to Treasurer of Trustees.

The following is attached to and forms a part of Policy No.................. of the..................
..Insurance Company, issued
at..Agency. Dated..., 19........
This policy to attach for..**Dollars, applying its** proportionate part on each of the following described properties, located in the City of Haverhill, Massachusetts.

DIVISION 1. $112,000. On buildings and structurally attached additions excluding cost of excavations, brick, stone or concrete foundations, piers or other supports, which are below the undersurface of the lowest basement floor, or where there is no basement, which are below the surface of the ground; also, on all machinery, equipment and appurtenances, permanent fixtures, and other property of the insured as landlords, pertaining to the building service or maintenance, applying as follows:

Item	Description	Location	Amount of Insurance
1.	Main Library	s/s Summer Street	$90,000
2.	Vault Building	s/s Summer Street	10,000
3.	Bradford Branch Library	259 South Main Street	12,000

DIVISION 2. $250,000. On all other property not covered by Division No. 1 including such property as the terms of this policy require to be specifically mentioned (except money and evidence of debt and motor vehicles); but excluding any of such property which may be more specifically insured under a Fine Arts Policy or a Valuable Papers Policy; all while in or on the premises owned by the insured above described, including such property in or on the premises at 5 Railroad Square, or while contained in or on property of others, or temporarily elsewhere in the Commonwealth of Massachusetts.

This policy also includes wearing apparel of employees while in or on property of the insured. Loss, if any, to be adjusted with and payable to the insured.

This policy covers the property of the insured, and on the interest of the insured in and/or legal liability, for similar property belonging in whole or in part to others, and held by the insured either sold but not removed, on storage or for repairs, or otherwise held, loss, if any, payable to the insured.

Property Not Covered: This policy does not cover the insured's interest in personal property in which parties other than the insured also have an insurable interest when the insured's interest in said property is otherwise specifically insured.

Reduced Rate Contribution Clause: In consideration of the reduced rate and/or form under which this policy is written, it is expressly stipulated and made a condition of this contract, that, in the event of loss, this Company shall be liable for no greater proportion thereof than the amount hereby insured bears to ninety per cent (90%) of the actual value of the property described herein at the time when such loss shall happen, nor for more than the proportion which this policy bears to the total insurance thereon.

In the event that the aggregate claim for any loss is both less than ten thousand dollars ($10,000.00) and less than five per cent (5%) of the total amount of insurance upon the property described herein at the time such loss occurs, no special inventory or appraisement of the undamaged property shall be required.

If this policy be divided into two or more items, the foregoing shall apply to each item separately.

Work and Materials Clause: Permission is hereby granted for such use of the premises as is usual and incidental to the occupancy as herein described and to keep and use all such appliances, devices, articles and material (including such materials as are prohibited by the printed conditions of this policy) in such quantities as are usual and incidental to such occupancy.

Lightning and Electrical Apparatus Clause "A"

1. Except as hereinafter provided, this policy also covers direct loss or damage to the property described in this policy caused by lightning (meaning thereby the commonly accepted use of the term "lightning" and in no case to include loss or damage caused by cyclone, tornado or windstorm) whether fire ensues or not.

2. If electrical appliances or devices of any kind, including wiring, are covered under this policy, this company shall not be liable for any electrical injury or disturbance to the said electrical appliances or devices whether from artificial or natural causes, unless fire ensues, but if fire does ensue, then, in consideration of the rate of premium at which this policy is written, this company shall be liable for its proportion of loss or damage caused by such ensuing fire

3. It is also a condition of this policy that if there be other fire insurance upon the property covered, this company shall be liable only for such proportion of any direct loss or damage caused by fire or by lightning as the amount of this policy bears to the whole amount of fire insurance applying whether such other insurance contains a similar clause or not.

4. The liability of this Company for any or all of the hazards covered under this policy shall not exceed the amount stated in this policy and except as specified herein shall be subject to all of the terms and conditions of this policy.

(See conditions on back hereof.)

....Agent.

Alterations and Repairs Permit: Permission granted during the life of this policy to employ mechanics, to make alterations, additions and repairs, and this policy (so far as it applies to building) shall also cover in accordance with its conditions such alterations or additions and all materials and supplies therein or therefor adjacent thereto, and (so far as it applies to contents of said building) shall extend to cover in such additions.

Vacancy (Which Includes Unoccupancy): Vacancy (which includes unoccupancy) of the premises herein described shall not vitiate this policy, if the within described property at the time this policy is issued is located not over 500 feet from a public hydrant and within three (3) miles (measured on regularly traversed highways) of an available organized and equipped fire department station, otherwise vacancy or unoccupancy is limited to a total period not exceeding thirty (30) consecutive days in any one policy year in addition to the period permitted by the policy conditions.

Other Insurance: Permission is given for other insurance.

Disclaimer Clause — To Apply on Buildings only: In consideration of the reduced rate at which this policy is written it is stipulated and made a condition of this contract that, unless such liability is assumed by rider attached to this policy, this Company shall not be liable for loss under this policy beyond the actual value of the property herein described at the time any loss or damage occurs, nor beyond what it would then cost the insured to repair said property, or to restore it to the condition in which it was immediately before such loss occurred, using material of like kind and quality, and in either case making suitable allowance for depreciation from any cause; nor for loss occasioned by ordinance or law regulating construction or repair of buildings.

Breach of Conditions Clause: This policy shall not be invalidated by a breach of conditions relating to other insurance; increase of hazard; employment of mechanics; use or storage of hazardous articles and substances; extra time operation; cessation of operation; vacancy and unoccupancy; unless such breach shall exist at the time of the loss or damage, and any invalidating condition in this policy relating to chattel mortgage shall apply only if a chattel mortgage exists at the time of the loss or damage.

Divisible Contract Clause: If this policy covers at different locations, and under it separate and specific items of insurance apply at each location, the breach of any condition or warranty in the policy at one or more locations shall not prejudice the right to recover for loss or damage occurring at a different location, where a breach of condition or warranty has not existed.

Civil Authority Clause: The insurance provided in this policy is extended to include direct loss and damage to the described property caused by acts of destruction executed by order of duly constituted civil authority during a conflagration to retard the spread thereof, provided, however, the conflagration is not caused directly or indirectly by or incident to: (1) war, invasion or other warlike operations (whether war be declared or not); (2) insurrection; (3) military or usurped power; or (4) by riot or civil commotion (unless liability for loss or damage by riot or civil commotion is specifically assumed under this policy by endorsement); subject moreover, to all the other terms and conditions of this policy. This company shall not be liable, however, for more than the amount for which it would have been liable had the loss been caused by fire.

Automatic Reinstatement of Losses: It is a condition of this insurance that in the event of any loss payment under this policy not exceeding One Hundred Dollars ($100.) the amount of insurance under this policy shall not be reduced, and for loss payment over One Hundred Dollars the amount of this insurance is automatically reinstated, the insured agreeing to pay, on demand, the proper additional premium for such reinstatement, calculated either from the date of such loss of the value of property remaining after the loss warrants such reinstatement, or from such date as such value is restored.

Automatic Increment Clause: If during the term of this contract the assured shall acquire any property as described above not already included in the list of locations, or shall increase the value by additions to construction, equipment or contents, located on the premises described as covered by this policy, this insurance shall be increased automatically, subject to the terms and conditions of this policy, to apply and cover at such point or points to an amount not exceeding $15,000. at any one location, and the assured hereby agrees to notify the insuring company within 60 days of such new location or increase of value at locations already specified in this form, and the company will issue an endorsement to care for its proportionate part thereof. This additional insurance shall not extend to cover any value covered by endorsement or any value added at any location involved prior to the effective date of any endorsement covering such items, nor shall it, in any event, extend to cover any value added prior to sixty days before the date of any fire that may occur.

Warranty Endorsements: This policy shall not be affected by failure of the insured to comply with any of the warranties endorsed hereon in any portion of the premises over which the insured has no control.

Standard Time Clause: Wherever in this policy, or riders attached thereto, there is reference to the hour of day—including the designation of noon as the time when this policy begins and terminates—the same shall be construed as meaning Standard Time at the place where the property insured hereunder is located.

(See conditions on front hereof.)

cost of this coverage.—Valuable Papers insurance is not expensive, though its cost is naturally higher than that of fire insurance because of the much broader protection.

(1) To determine the rate for property insured under the specific section the following procedure is used: The fire contents rate applicable under a 100 per cent coinsurance clause is determined. This amount is increased by 5 per cent, the minimum increase being 5c per $100 of insurance.

Example: The 100 per cent coinsurance fire contents rate for a certain library building is 60c. Five per cent of this is 3c, which is below the minimum increase of 5c. The rate for the specific section would therefore be: 60c plus 5c = 65c for $100 of insurance.

(2) In the blanket section, the basis is also the 100 per cent coinsurance fire contents rate. The increase is 50 per cent, subject to a maximum increase of 40c per $100 of insurance.

Example: Taking the same figures, the increase should here be 50 per cent or 30c. The rate for the blanket section is then 60c plus 30c = 90c for $100 of insurance.

(3) Additional outside coverage, above the 10 per cent previously mentioned, costs $10 per $1,000 per year.

savings.—Discounts are applicable if the valuable material is kept in a safe bearing an Underwriters' Laboratories label. Discounts range from 5 per cent to 25 per cent according to the label, which expresses the resistance of the safe.

policy terms.—The longest term for which this policy can be written is three years. A three-year policy costs two and one-half times the annual premium if it is paid in advance. If paid in installments, a 5 per cent charge is added and the installments are made in the following way:

First year premium.....50 per cent of the total premium
Second year premium...30 per cent of the total premium
Third year premium...20 per cent of the total premium

advantages to libraries.—

(1) There are no coinsurance requirements.
(2) Depreciation is not taken into account. The company wil

either replace the lost or destroyed property, or it will reimburse the insured so that he may purchase the item on the market. If, for instance, no secondhand copy of a book is available, a new copy will be bought, provided always that it costs no more than the amount of insurance applicable to it.

(3) The need for a number of policies covering the book collection and records against separate perils is eliminated. It is much easier to take care of one than of three or four different policies with their individual rules and clauses, amounts, and expiration dates.

8. *fine arts policy and other floating coverages*

fine arts policy

So far we have considered the protection of typical library contents—books and similar materials. But libraries may also own objects of particular value for which none of the policies previously described provide adequate coverage.

We have seen that the more valuable the possession, the more desirable an all-risk type of protection is. The Valuable Papers policy provides that protection for books and records; the Fine Arts policy should be used for the library's other valuables.[1] Art objects, pictures, antiques, statuary, and the like are insurable under this policy.

Different forms of this protection can be chosen, covering the property either on the premises[2] or "floating"—wherever the property may be. Floating protection may be selected to cover within

[1]If no Valuable Papers policy is taken out, valuable books and manuscripts may be included in the Fine Arts policy.

[2]Under this form the insured valuables can also be covered while in transit and in other locations. Notification of the company within a specified time as well as an additional premium is required.

a city, a state, or the whole of the United States and Canada. The broader the coverage, the more expensive it becomes.

The Fine Arts policy is a valued contract; each item insured is individually listed and valued. A careful appraisal of all items is required by the company before insurance is provided. Such an appraisal should be made by an expert for the particular kind of valuable that is to be insured.

If a library owns a great number of rare books and manuscripts, pictures, or other art objects, it can arrange to have the bulk of the minor items covered on a blanket basis. This part of the coverage is usually written with a 100 per cent coinsurance clause, and this part of the contract is not a valued one. Automatic coverage of newly (i.e., during the term of the policy) acquired items can be had, subject to an additional premium and notification of the company.

The following losses are usually excluded: wear and tear, deterioration, moths and vermin, inherent vice, and damage resulting from repair work. War risk is not covered, nor is breakage of fragile articles, though the latter can sometimes be included.

camera floater

Projection machines, cameras, and films should be insured against all risks rather than be included in the library's fire policy.

A Camera floater provides world-wide coverage and the desirable all-risk protection. The exceptions are the usual ones for this type of protection: perils of war, wear and tear, gradual deterioration, and damage sustained while being repaired. Each item must be specifically listed with the value applicable to it. However, the many small articles which form part of the equipment, and which are worth less than 10 per cent of the total amount insured, may be covered on a blanket basis subject to a 100 per cent coinsurance clause.

musical instrument floater

Libraries do not commonly own musical instruments but this may sometimes be the case. A special type of protection is then desirable: a Musical Instrument floater.

The term musical instrument in the meaning of the policy is somewhat restricted. It does not include pianos, organs, large radios, or phonographs — instruments which are not usually removed from the premises or are of a nonportable nature. Included in the coverage are, however, articles incidental to musical instruments and their use, as sheet music, racks, stands, and similar items.

Two forms of coverage may be had—one broad, the other limited. The broad form provides all-risk protection (and is more expensive), while the limited one covers against stated perils, such as fire, lightning, theft, cyclone, tornado, and flood, as well as hazards of transportation. Both forms cover anywhere in the United States and Canada. Excluded under both forms are: losses due to war and similar perils, and to infidelity of persons to whom the insured property is entrusted.[3] The broad form does not cover losses caused by any refinishing process, repair work, atmospheric dampness or extreme of temperature, wear and tear, deterioration, inherent vice, and breakage of strings. The most important exclusion under the limited form is loss or damage while the property is left in an unattended automobile, unless in custody of a carrier.

transportation policies

All libraries send or receive books and other material during the course of the year. If such material travels to and from the library at the library's risk, it should be adequately insured. Different kinds of transportation insurance are available for either single trips or, where a great amount of shipping and receiving is involved, for all these operations during the course of the year.

These policies (Trip Transit or Transportation) cover while the goods are in the hands of a carrier. More losses are insured against than would be recoverable from the railroad, the truckman, or express company. The carrier is responsible only for his legal liability, and he does not have to pay for losses caused by "acts of God"—that is, such losses as result from windstorm, lightning, flood, earthquake, etc. Transportation policies of various kinds cover on land as well as on coastwise steamers. For ship-

[3]This exclusion may now be deleted for an additional premium.

ments extending over these geographic limits Ocean Marine insurance will be needed, which covers shipments across the seas and should be taken out whenever imported or exported books travel at the library's risk.

parcel post insurance

Parcel post packages which can be insured with the post office can be more conveniently insured with private companies. Two different types of Parcel Post insurance are available. One is suitable for libraries sending parcels at infrequent intervals, the other serves the needs of a large library having a great volume of parcels during the course of the year.

coupon form

A book of coupons is issued with the policy, each coupon or certificate usually having a value of five cents. One or more coupons is enclosed in each package (or invoice), depending on the value of the package and the class of mail by which it is sent. A (detachable) stub is retained and all necessary information recorded on it: name and address of consignee, class of mail sent, kind and value of contents, and date of shipment. This information forms a convenient record of shipments made and is at the same time the basis for a proof-of-loss.

open policy

Instead of using coupons, the large shipper keeps a record of all shipments and makes periodic reports to the company. A deposit premium is paid, based on the estimated amount of shipments during the year. Premiums are calculated on the basis of the reports and applied against the deposit. The coverage is the same as under the coupon form, except that for an additional premium also incoming (and return) shipments may be covered. Interlibrary loans can thus be conveniently protected.

Not insured under either form are: nonarrival caused by careless wrapping, incorrect addressing, and insufficient postage; loss of packages not marked "Return postage guaranteed"; loss of packages bearing descriptive labels on the outside. The last exclusion, however, does not apply to shipments of articles for which

an especially low postal rate is granted only if descriptive labels are used. Books, to which low postal rates apply if the marking "Book" or "Books" appears on the outside, may be mailed this way and are covered under the parcel post policy.

9. *casualty insurance*

burglary, theft and robbery

Large scale burglary of library contents is not very likely. The general book collection rarely tempts burglars; the library identification markings are some safeguard; and even a truckload of stolen library books would not bring any appreciable return. Special collections and rare books, however, may be carried off, and library equipment such as typewriters, office machines, and photographic equipment, may be stolen.

We must distinguish between several kinds of "wrongful abstraction," and these distinctions, as well as the available protection against each, should be familiar to the library administrator.

Burglary involves breaking into premises by force. Visible marks of this forcible entry must be evident, such as a broken lock or the trace of chemicals. This entry by force distinguishes burglary from *theft,* which means the felonious taking of property of others by persons who have a right to be on the premises or did not use force to gain entry. The typical example of a library theft is the sneak thief who poses as a regular library client and walks off with a valuable book. He—as did anyone else—gained access to the library premises by lawful means while the library was open to the public.

Robbery involves taking money or other property from the owner, or from someone legitimately in care of the owner's property, by violence or threat of violence. This includes *kidnapping* and *hold-up* or attempts at either.

If the library has a valuable papers policy covering its books and records, no burglary insurance is needed, except for office equipment and like items. The same holds true for other types of all-risk protection which include burglary and similar insurance coverage. But if only fire insurance is carried, a certain amount of Burglary and Theft insurance should be provided.

Under all burglary, theft, and robbery policies the police, as well as the company, must be notified in case of loss.

mercantile open stock policy

This policy covers against all burglary losses of merchandise (here: books), furniture, fixtures, and equipment. Ordinarily excluded from the term "premises," as explained in the policy, are public entrances, halls, and stairways.

Coinsurance is important in connection with this policy. The country is divided into territories, each assigned a coinsurance percentage, ranging from 40 to 80 per cent. Since the nature of the merchandise affects the desirability of the risk, trade groups are classified and a coinsurance limit (expressed as a lump sum instead of a percentage) is specified for each classification. This means that a trade group subject to a $5,000 coinsurance limit must carry insurance on the merchandise for at least that amount in order to be free from coinsurance requirements. If it does not, the coinsurance clause for that territory applies. It is clear that only a certain percentage of the total value need be insured, since total losses from burglary are improbable. Coinsurance percentage and coinsurance limit are written into the policy. An example shows how both are applied.

A library has a book collection valued at $100,000. The coinsurance limit is $5,000, and the coinsurance percentage for the territory is 40 per cent. The library may insure $5,000 and collect losses up to that amount in full, as coinsurance at the coinsurance limit is all that is required. Of course, it may be to the library's interest to carry higher amounts under the policy. The nature of the collection and the extent to which other (all-risk) protection is carried determines the choice.

Another library's book collection is valued at $4,000. The coinsurance limit is again $5,000, and the coinsurance percentage for

the territory is 60 per cent. Obviously, this library would choose the coinsurance percentage instead of the coinsurance limit, which is higher than the value of the collection. As no more than the value can ever be paid, insurance at $5,000 would be senseless. This library will therefore have to insure its collection for at least $2,400, i.e., 60 per cent of $4,000.

Important also in burglary insurance—from the point of view of safety and savings in premium—are the rate reductions applicable to burglary-protected risks. Substantial discounts are granted for protective measures such as watchmen and signal and alarm systems, especially if the latter bear Underwriters' Laboratories' labels.

A Theft endorsement may be attached to the open stock burglary policy to provide coverage for theft from the premises. Such an endorsement may or may not be necessary; librarians must estimate their annual theft losses to decide whether this additional coverage is economical.

safe-burglary insurance

If a library keeps money, securities, and its most valuable books and manuscripts in a safe on the library premises, these valuables are reasonably secure. Yet a safe advertises values as well as guards them, and an expert burglar can blow open even a good safe. So libraries may wish to buy additional security by insuring the contents of the safe.

Safe-burglary insurance provides for specified amounts of insurance in different sections of the policy for money and securities as well as for merchandise "usual to the insured's business." The safe is exactly described in the policy as to manufacturer, type (burglar-proof, fire-proof, etc.), and construction (thickness of doors and type of lock, which may be combination, time, or key).

The policy covers loss caused by felonious entry into the safe by force or violence, signs of which must be apparent. The coverage includes damage to the safe and its contents and to furniture, fixtures, equipment, and merchandise on the premises, if caused by the safe burglary, as well as loss of the safe contents. If the safe is removed by the burglars and cracked open at another

place, this is also covered. No coverage is given if the lock was not in satisfactory working condition and allowed the safe to be easily opened.

Rates depend on the type of safe, the territory in which the risk is located, the class of business of the insured, and the type of property insured. Discounts are granted if watchmen are employed or burglar alarm systems installed.

robbery insurance

Outside robbery of payrolls or other property as well as inside robbery (hold-up) can be covered by special insurance policies.

Of the various kinds of protection available, the following two policies are well suited for libraries:

messenger and interior robbery (hold-up) policy.—Money, securities, or other property, either on the premises or being conveyed by a messenger[1] to or from the premises, is covered. Loss inside the premises caused by hold-up must have occurred while the property was in the care of a custodian. This means either the insured or whoever is designated by him.[1] If, while the premises are closed, such a custodian is forced to open them and to admit robbers, or if he is kidnapped so that a robbery can be committed, coverage is also provided. Damage to the premises, furniture, and fixtures caused by robbery is covered. Credits are allowed in the premium for use of a conveyance to transport the money or other property; for special messenger safes or chests equipped with a lock; for burglar alarms within the premises; and other safety equipment. Additional insurance can be bought for specified days only.

paymaster's robbery insurance.—This provides coverage for robbery losses to payroll money or checks. Outside and inside protection is given. Under the outside protection, loss of or damage to the payroll caused by robbery or attempted robbery is provided. In addition to the coverage of the payroll only, an amount not exceeding 10 per cent of the total insurance is applicable to money or securities to be used for other purposes than payroll. Under the inside protection, coverage is also given for payroll money or checks, and the coverage includes damage to the prem-

[1]Not janitors, porters, or watchmen.

ises (excepting plate glass) if caused by inside robbery. Losses sustained after the custodian has been kidnapped are also covered. Protection is furthermore given for a certain period of time for checks or cash amounts (out of the payroll sum) which have already been paid to the employees and are still on the premises following the payment.

Under this policy too, credits are available for safety devices such as use of armored cars, special receptacles for the money, etc. It is important to list the number of paymasters in the policy and to specify the amount to be insured for each.

Losses suffered by the library through dishonest acts of employees are insurable under Bonds and will be discussed in Chapter 10.

glass insurance

In the discussion of individual policies, loss or damage to glass was mentioned at length only in connection with the fire policy. If a loss occurs through fire, glass is covered as well as any other part of the building. It is also covered under the extended coverage endorsement with its specific rules for plate and other enumerated types of glass. However, other perils than fire, explosion, windstorm, etc., can do damage to glass, and it can be insured against all of them under a Glass policy. We do not have to think of the ideal library building of the future—a super-modern structure of steel and glass—to realize that glass plays an important part in a library building and that breakage frequently occurs.

Glass insurance provides payment for any accidental breakage of glass and for damage caused by chemicals or acids which make the glass unusable. Damage from fire is not covered under the basic policy, as the fire policy takes care of this; the only other exclusion is damage caused by enemy attack. Included in the coverage are:

(1) Damage to window sashes and frames resulting from the damage to the glass.

(2) The cost of removing obstructions or fixtures when installing new glass in place of the damaged.

(3) Boarding up of openings, or installation of temporary plates.

The liability of the company for any one of these additional instances is limited to $75, and to $150 for two or three of them.

It is usual for the company to replace rather than make a cash payment, as its facilities allow for quick and economical restoration. When broken glass is replaced, the new glass is automatically covered for the remainder of the policy period without payment of an additional premium.

The premium is based on the location of the glass on the premises—that is, it depends whether the glass is interior, exterior, on first or higher floors, etc. Different kinds of glass are differently rated. The size of the glass and its exact location within the building are described in the policy. Rate reductions are available for such protection as wire mesh.

It is possible to include by endorsement fluorescent lamps and signs.

If the library wishes to take out all-risk protection for especially valuable stained glass windows, it can choose a glass policy listing each valuable window separately with a specified amount of insurance applying to each. Only wear and tear, gradual deterioration, and enemy attack are excluded. Public libraries usually receive a substantial rate reduction under this policy.

Three-year policies are available for two and one-half times the annual premium. If paid in installments of 50, 30, 20 per cent, a 5 per cent charge is added.

boiler and machinery insurance

Insuring against the explosion hazard inherent in boilers and other machinery is a must for the library. A combination policy is available which covers among others, the payment for damage to property of others for which the insured is liable, as well as payment for injuries caused to all third persons who are not employees. As is the rule with such liability insurance, the company also undertakes to defend the insured if court action is brought against him.

The policy comprises seven sections, each referring to a different kind of protection.

(1) Payment will be made for loss to the insured's property, caused by explosion of any of the equipment insured in the policy.

Fire losses, explosion losses caused by fire,[2] and indirect losses are not covered. The last named may be had by endorsement.

(2) "Expediting" charges are insured. If the speedy repair of the damage necessitates extra costs, these are included in the insurance coverage.

(3) Payment for loss to the property of others and defense against claims or suits brought against the insured are covered.

(4) Payment for bodily injuries to others and the cost of defense against claims or suits brought against the insured are assumed. "Bodily injuries" refer to injuries or even death sustained through explosion of the insured's boilers or machinery. Immediate surgical relief is included in the coverage.

(5) Cost of legal expenses is assumed. If under sections (3) or (4) legal expenses arise, the defending company pays for them.

(6) The "accident" causing the loss will be paid for, even if resulting from acts of malicious mischief, strike, riot, and civil commotion.

(7) Automatic coverage is given for machinery, etc., installed after the policy is taken out, provided that the insured notifies the company within a given time and pays an additional premium.

The liability of the company is limited to a stated amount per accident. This amount is listed in the policy and is applicable successively to sections (1)-(4). This means that the insured's property is paid for first, and then charges under section (2) are assumed. Whatever remains after payment of this, is applicable to a loss under section (3)—and so on. The assumption of legal expenses under section (5), however, remains the same, irrespective of the limit per accident.

The amount payable for destroyed property is actual cash value less depreciation. An exact description of all insured machinery is attached to the policy in one or several schedules. One such schedule enumerates and describes boilers that are "fired objects," specifying coverage for each. Another lists the type of boilers classified as "unfired vessels"; others list the refrigerating apparatus, piping, auxiliary piping, engines, pumps, compressors, electrical machines, air conditioners, and other kinds of machinery.

[2]These are covered under the fire policy.

Each type goes on a separate schedule, the verso of which explains what constitutes an "accident" for each class of machinery and defines each "object" of insurance in detail.

Endorsements may also be attached to the policy assuming various kinds of additional coverage, such as consequential damage (excluded in the policy itself), or providing for varying limits per accident.

A special off-premises explosion policy is available, which indemnifies the insured for losses caused by explosions occurring on neighboring premises, as long as these other premises (and the boilers and machinery in them) do not belong to the insured or are not operated or controlled by him. This insurance will be needed whenever the library cannot rely on collecting from the owner of the surrounding property in case of loss, or if it wishes to avoid lengthy suits against third parties.

liability insurance

legal liability

Liability imposed by law makes everyone responsible for acts of negligence which cause damage to others. Negligence, explained in nonlegal terms, is the failure to act with the amount of foresight or care necessary to avoid injury or damage to others. Different degrees of such foresight or care are required in different instances: a "mistake" in the carrying out of professional duties, in which a high degree of care and judgment is expected, weighs more heavily than a mistake made by an individual as a private citizen.

Insurance taken out to indemnify for legal liability claims provides the insured with defense counsel if court proceedings are brought against him. If negligence is proven in court or admitted in an outside settlement with the consent of the company, the company pays on behalf of the insured to the injured third party the amount necessary to repair the loss (up to the sum insured).

Estimation of future claims based on negligence is not easy but must be attempted if a proper limit of coverage is to be chosen when liability insurance is taken out. The insured's business, his operations, exposures, and ability to pay—all affect the choice of a proper limit. Quite often, minimum limits for bodily

injury and property damage liability payments are standardized or required by statute. In many cases, higher limits will be chosen in order to be prepared for high claims.

The basic coverage under liability policies is for bodily injury of third persons to whom the insured may become liable. The inclusion of property damage liability is in most cases optional.

Various types of liability insurance are available, most of them providing for losses growing out of typical operations and hazards. Such typical hazards or operations may be those shared by owners or tenants of premises or those applying to manufacturers. Out of a variety of coverages, some are applicable to most libraries.

owners', landlords' and tenants' liability

This is a type of liability insurance that most libraries will need. Insured under the policy is the liability arising out of the ownership, maintenance, ordinary alterations and repairs, or use of the premises, or the conduct of the business described in the policy and carried on at the premises.

Accidents occurring off the premises and resulting in claims against the insured are under certain conditions also covered, if they arise out of an operation connected with the business of the insured. In addition, inclusion of elevator liability insurance is possible under this policy. The latter is also available under a separate policy which is described later.

The location and use of the premises are defined and limits of liability stated in the policy. Standard limits are usually $5,000 per person and $10,000 per accident involving two or more persons. Higher limits may often be needed by libraries.

If the company is notified within a given time and an additional premium is paid, automatic coverage is provided for premises or operations added during the term of the policy. No liability arising out of contracts[3] is insured under this policy, nor are employees insured. Some other exclusions are enumerated in the policy.

Property Damage liability can be covered by the attachment of a special form in which a limit of liability is stated. The terms and conditions are the same as for bodily injury liability, except

[3]Contractual liability is separately insurable.

that the hazard in this case is the destruction of property (including the loss of its use) belonging to third persons. Property damage liability insurance cannot be had without bodily injury liability insurance.

The coverage for property damage liability under this policy includes damage resulting from boiler explosion or breakdown of electrical machinery but excludes liability arising out of water damage or sprinkler leakage losses.

elevator liability

If not specifically included in the policy just described, a separate elevator liability insurance is necessary. The hazard, as defined in the policy, is an accident arising out of the ownership, maintenance, ordinary alterations and repair, or use of elevators.

The policy describes each elevator, its location in the building, the make, kind, etc. Rates are based on the territory, the occupancy of the building, and the type of elevator used. A property damage form may be attached to provide payment for loss to property of others.

Elevator Collision insurance may be had together with the property damage coverage. Loss or damage to the elevator or to property owned by employees is covered if caused by accidental collision of the elevator (or anything carried on it) with another object. Under collision insurance, fire losses are excluded as well as losses caused by the breakdown of electrical machinery located outside the elevator car.

comprehensive general liability insurance

Instead of taking out a number of different policies, each covering the insured's legal liability arising out of a specific risk, a comprehensive coverage can be taken out. This insures against *all* hazards of *all* locations, operations, equipment, etc., and covers the hazards which are known as well as those that are unknown at the inception date of the policy. The hazards known to the insured are stated when the policy is taken out, and a provisional premium is paid. If during the term of the policy other hazards become known which, though existing at the inception date of the policy, were not apparent to the insured and the company,

automatic coverage is granted. The same holds true if new, additional hazards appear, resulting from new locations or operations. A yearly audit of the exposures is made and the premium adjusted on that basis.

Some of the coverages enumerated in this policy are optional, so that a library can decide whether it needs them or not. Optional also is property damage insurance.

Sprinkler Leakage Legal Liability and Water Damage Legal Liability can be insured under this policy by endorsement for an additional charge; the basic policy excludes these two hazards.

An important exclusion under this comprehensive general liability insurance is liability for claims arising out of the use, etc., of automobiles while away from the premises. It should be covered under a separate automobile liability policy.[4]

automobile insurance

A library may own one or more automobiles, or the library's employees may drive their own cars on library business. Both cases call for adequate protection. Liability coverage as well as damage to the car must be insured.

liability insurance

The principle of legal liability has been discussed. It applies to owners of automobiles as well as to all persons driving automobiles or being responsible for their operation and use.

As in other liability policies, both bodily injury (and death) and property damage caused by accidents are insurable. The accident must arise out of the ownership, maintenance, or use of an automobile.

Limits are chosen, providing for the amount payable in case one person is injured (or killed) in an automobile accident, or in case two or more persons are injured. A third limit applies to property damage suffered by third persons in an accident. Standard limits are usually provided. So may the limit payable for injury suffered by one person be $5,000, that for two or more

[4]In some states a combination policy, called a Comprehensive Liability policy, is available. This combines the comprehensive general liability policy with a comprehensive automobile policy, thus forming a very broad type of protection.

persons (per accident) may be $10,000, and the limit for property damage per accident may be $5,000. Higher limits are optional and comparatively little more expensive. Defense of the insured in case of a suit brought against him, is also included in the coverage.

Rates vary according to territory. Other important factors in rate determination are the type of automobile and the purpose for which it is used. Private cars and commercial automobiles (trucks, for instance) are the two types of cars which libraries usually insure. For private cars, the type of car, model, make, year, price, and use determine the rate. Commercial cars are rated according to load capacity and the business of the insured.

Automobile liability insurance is a necessity. Most state legislatures have enacted financial responsibility laws which require motorists to furnish proof of their ability to meet liability claims. Under many state laws, a driver who is involved in an accident may have his license revoked pending proof of financial responsibility. Statutory limits for liability in case of bodily injury and property damage are often set down, and the most convenient way to prove ability to pay up to these limits is to carry insurance. State laws vary, and familiarity with their very important provisions is necessary.

If a library owns five or more automobiles, a special type of policy may be taken out, insuring under a *fleet plan* all automobiles owned by the library and granting automatic coverage for thirty days for any newly acquired cars. The more cars included in the policy, the greater the advantages under the fleet plan. A deductible clause is available, reducing the premium further if losses up to an agreed amount are borne by the insured.

Medical Payments insurance may be secured under liability coverages by endorsement; this provides for immediate surgical relief, hospitalization, nursing, and other costs for persons injured while riding in the insured's automobile. Coverage for the insured himself may be added.

Libraries which do not own any automobiles may still be responsible for accidents if employees drive their own cars on library business. There are several ways of insuring the library's *nonownership liability.*

(1) The library can, without charge, secure an endorsement under the Employee's Liability policy. This coverage results from the employee's policy itself which states—as all standard automobile policies do—that not only the named insured is covered but also any person or organization responsible for the use of the car.

(2) If the library does not want to rely on the employee's policy' being kept up to date at all times, as well as its being sufficiently high to cover serious claims, it can take out its own nonownership policy. The library can then select its own limits of liability, which will often be higher because an organization may sometimes be sued for higher damages than its employees. This policy covers only the library. The employee-owner is not included and must have his own policy.

Different forms are available for the library's nonownership policy. Either specific protection is selected—that is, the employee or employees for whose car or cars the library is liable is named in the policy — or the policy is written to cover blanket for the library's liability on cars used by any employee, or other person, on library business.

(3) A Joint Schedule policy may be taken out instead, under which both the library and the employee-owner of the car are covered. Premium payments are then usually shared, enabling the employee to buy higher limits of protection than he could ordinarily afford.

If the library owns cars and uses, in addition, those of others on library business, a Schedule Automobile Liability policy can be used. This policy provides three optional liability coverages: insurance on owned cars, insurance on hired cars, nonownership liability.[5]

coverage for material damage to the car

Various policies are available to cover loss or damage to automobiles. The basic coverage for material damage includes insurance against fire, lightning, and the hazards of transportation. To

[5]Another policy, available in some states, is a Comprehensive Automobile Liability policy covering all liability in connection with automobiles, owned or otherwise.

this may be added any or all of the following: windstorm, hail, water damage, explosion, etc.; theft, pilferage, and robbery; riot and civil commotion, vandalism and malicious mischief; breakage of glass.

Instead of taking out a number of the just described coverages, a Comprehensive Automobile policy may be had which insures against practically all material damage to automobiles with the exception of Collision which should be taken out in addition. Collision (and upset) insurance is often written on a deductible basis, thus reducing the premium.

Rates for automobile material damage insurance depend on territory and type of car; fleet rates apply if five or more automobiles are owned by the insured.

automobile liability and material damage policy

One single policy is often taken out which combines *all* automobile insurance coverages, liability as well as material damage protection. Both the casualty company writing the liability part (bodily injury, medical payments, and property damage) and the fire company writing the material damage part (fire, theft, collision, etc.) appear on this combination form. The coverages applicable under each section are the same as if single policies were written.

employers' liability — workmen's compensation insurance

Employers' Liability is the liability imposed by law to provide indemnity to the employee for injuries suffered through the negligence of the employer. As is usual under legal liability claims, the injured party has to sue and prove negligence. Obviously such a procedure is not conducive to the best employer-employee relations. Moreover, many accidents happen through mishaps short of negligence but arise out of circumstances incidental to the nature of the employment.

For this reason, almost all states have enacted Workmen's Compensation laws which provide for compensation insurance. Employees are covered for accidents arising out of their employment, regardless of negligence on the part of the employer. Sometimes occupational diseases are covered in addition to acci-

dents. This type of insurance is usually obligatory for hazardous types of employment, while nonhazardous ones may be covered if the employer so desires.

Often a state fund provides for this insurance, either in competition with private companies, or on a monopolistic basis. Compensation laws vary in different states as to the benefits provided and the types of employment for which this insurance is compulsory. The general principle, however, is the same everywhere.

Under a comprehensive, broad form, employers' liability insurance is incorporated into the Workmen's Compensation policy.

Provision is made for payment for injuries to the employee which arise out of the employment or occur during its course. If an employee causes such injury wilfully or solely through intoxication, no claim can be made. Weekly benefits are paid, based on a percentage of the employee's weekly earnings. Most compensation policies pay indemnity after a waiting period to forestall minor claims in connection with small and unimportant accidents which would mean no hardship to the employee. If, however, a long-term disability results from an accident, payments are often made retroactive to the day the disability started.

The amounts payable vary according to the nature of the disability (total or partial), and the period over which they will be made depends on the length of time the employee is disabled (temporary or permanent disablement). Further benefits include payments to widows of employees, to their minor children, and to dependent parents. Amounts payable vary in different states.

Premiums are computed on the basis of the employer's pay roll. At the time the policy is issued, an estimated advance premium is charged, to be followed by a payroll audit after the end of the policy year. The final premium is determined by the results of this audit.

For rating purposes employees are classified according to type of work performed, and the business of the employer is rated accordingly. Favorable loss experience results in rate reduction after a period of time. A regular inspection service is provided by the insurers. Their suggestions for improvement of working conditions should be followed in the interest of safety. This, in turn, may result in lower rates for the future.

10. *bonds; dishonesty, disappearance and destruction policy*

bonds

It is usual in business to have those employees bonded who handle money and other valuables and who are therefore able to cause losses to their employers through misappropriation of funds, embezzlement, and other dishonest acts. The fact that an employee is bonded is by no means a cause for embarrassment; it is rather a proof of trustworthiness that he can be bonded, as bonds are issued only after a careful investigation of the person involved. The business executive who has his employees investigated and bonded, thereby protecting his firm against losses caused by infidelity, considers this as much his duty as taking out insurance to protect his firm against fire and similar losses. The same attitude should prevail in a library, especially the larger organization where considerable amounts may be involved.

Protection against dishonest acts of employees is available under various types of Fidelity bonds. Either a named individual or a certain position within the organization (bursar, paymaster, cashier, etc.) can be covered.[1]

Where libraries are public institutions and belong to a city, county, or state, a Public Official bond is often taken out. Such a bond covers against dishonesty losses as well as against losses caused by the failure of the public official to perform faithfully the duties required of him. The latter part of the coverage includes losses caused by carelessness of the official in selecting untrustworthy employees or unsuitable types of investments, or in choosing banks which later prove to be insolvent. Even losses caused through fire, burglary, and robbery — and involving the money entrusted to the public official — are covered under this bond, which is required in many states.

[1]Blanket coverage for all employees is also available but is usually not needed for a library.

comprehensive dishonesty, disappearance and destruction policy (D-D-D)

This policy, combining features of theft and burglary insurance with those of fidelity insurance, provides a number of different coverages. The following causes of loss are insured against under various sections of the policy and may be selected according to the needs of the individual library:

(1) *Dishonesty of employees:* Larceny, theft, embezzlement, forgery, misappropriation, and other dishonest or fraudulent acts, committeed by employees and involving money, securities, or other property, are covered. New employees are automatically insured without notice to the company or payment of an additional premium.

(2) *Loss of money and securities within the premises:* If money or securities disappear, are destroyed, or are wrongfully abstracted, the loss, unless caused by employees, is covered under this section. Also included in the coverage are losses caused by safe burglary and theft from an unlocked safe, as well as losses caused by interior robbery. Damage to the premises, furniture, and equipment resulting from such robbery or burglary is also insured. Even losses caused by fire, explosion, flood, and other perils, and leading to destruction of money or securities, are assumed.[2] Any new location acquired during the term of the policy is automatically covered.

(3) *Loss of money and securities outside the premises:* If money, securities, or other property are being conveyed by custodians outside the premises, the policy protects against losses from hold-up, theft, disappearance, destruction, or damage by any peril of transportation, fire, or flood.

(4) *Loss of securities from safe-deposit boxes:* If a safe-deposit box has been leased at a bank or similar institution, losses from the box (of securities only) are covered. If the securities have been taken out of the box but are still (temporarily) on the premises of the bank, coverage is given for losses. Burglary, theft, robbery, and other causes of loss are protected against under this section.

[2]Money and securities are excluded under fire policies.

(5) *Loss through forgery of outgoing instruments:* As far as libraries are concerned, this section can be used to cover losses resulting from forgery of checks.

This policy eliminates the necessity of taking out a number of different policies, covering against dishonesty, burglary, destruction of money or securities, forgery, etc. For many libraries it will provide sufficient protection against the various perils.

summary

It has been the purpose of this manual to show that a library's insurance program should be a carefully considered project, not a hit-and-miss affair. Since no single program fits all libraries, a variety of policies have been discussed together with the principles which should guide selection in individual cases.

Some general recommendations can be made to all library administrators: Get comprehensive protection whenever it is available. Insure the book and fine arts contents under an all-risk policy, and protect the building and the other contents under fire policies with extended coverage endorsement. Be sure to have the most important coverages: fire, water damage, explosion, and liability insurance.

Secure long-term policies, and budget the premium payments conveniently.

Keep informed of loss-prevention developments.

Use the services of your insurance specialist, and have a survey made of all your needs.

some useful references

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